

BUSINESS WEEK

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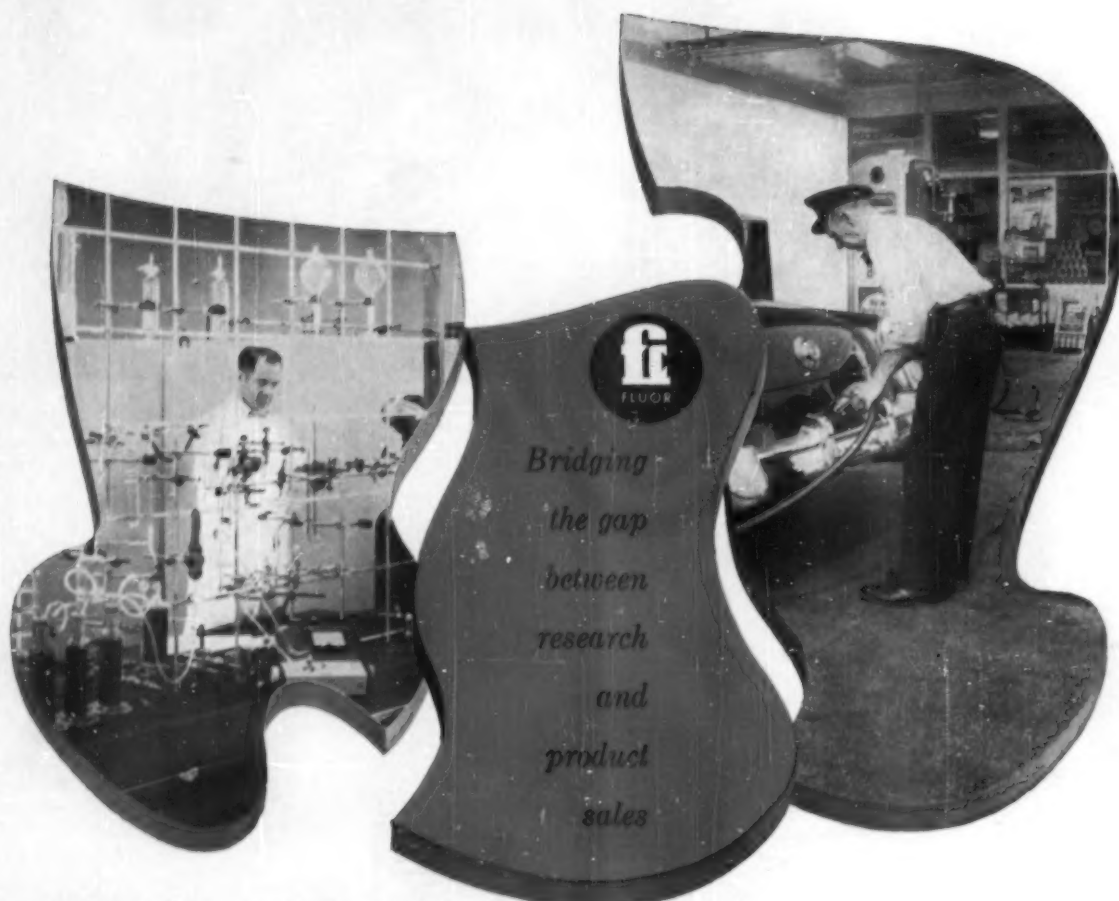
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DEC. 31, 1955

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BUSINESS WEEK • Dec. 31, 1955



Have you a PROFIT-SHARING PLAN you don't know about?

We're not thinking of the kind being adopted so widely, but a secret, illegal one that means heavy losses and sometimes puts a firm out of business. Are you being victimized by this second kind?

How certain are you that money . . . merchandise . . . materials aren't being stolen by someone on your payroll—and won't be in the future? No employer can ever be sure. But he can protect himself against loss resulting from employee dishonesty. He can carry Honesty Insurance and have the assurance that unforeseen dishonesty will not cripple or wreck his business.

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THE PACKAGING NEWSFRONT

A revolutionary type of sack, made of wet-strength paper reinforced with glass fiber mesh, has just been adopted by the U. S. Post Office Department for shipments of parcel post to U. S. possessions. Exhaustive tests over a period of several months preceded the approval of the new sacks, which are made by Bemis.

Postal authorities found that the Bemis sacks, weighing less than one-quarter as much as the conventional multi-trip canvas mail sacks which they replaced, give substantial savings, even though used only for single trips and discarded.

Bemis makes the mail sacks from a paper called Scrimtex, manufactured by the Mosinee Paper Mills Company. Scrimtex is a wet-strength kraft paper with glass fiber non-woven mesh incorporated in the sheet.* The glass mesh is manufactured by Owens-Corning Fiberglass Corporation.



In view of the durability, strength and economy of the Bemis-Scrimtex mail sacks, as demonstrated in the parcel post test, wide future usage of similar sacks in industry and commerce is anticipated and experiments in that direction are now being conducted.

One major appliance manufacturer, who maintains parts depots in various parts of the country, is contemplating closing the regional depots and making all parts shipments in pre-packaged Bemis-Scrimtex sacks from a central warehouse. Many industries will find the reinforced sacks an economical replacement for more expensive types of containers now used.

As dramatic proof of the durability of the new sacks, Bemis points to an experience during the parcel post shipments. On one trip of an Alaska-bound ship, fire broke out in the adjoining hold. After fire fighters had poured live steam into the holds for five hours, the contents of the Bemis-Scrimtex bags were found to be undamaged, while many of the canvas sacks in the same hold disintegrated with a heavy loss of the parcel post packages which they carried.

*U. S. Pat. No. 2699389

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READERS REPORT

The Last Word

Dear Sir:

Those of us in Marketing Research who for years have been doing both quantitative and qualitative studies are chagrined at our spokesmen who would have us choose between "large sample" and "small sample" methods [BW—Oct. 29 '55, p60]. It is like telling a medical student that he must choose between antibiotics and surgery.

Like many general practitioners, we read the journals, hear the speeches and choose our methods (often a combination of methods) according to the nature of the problem to be solved, not because of infatuation with a particular technique. In motivation research, particularly, we need qualitative probing to develop hypotheses, quantitative surveys to test them. Seldom can either technique do a complete job alone.

Reader Ferber [BW—Dec. 3 '55, p10] is entirely correct in laughing down Reader Harger's contention [BW—Nov. 19 '55, p10] that this is a dispute between academicians and commercial practitioners. There are plenty of both on each side of this pointless controversy and (as Ferber says) many of us who keep one foot in the university and the other in commercial practice.

But more fundamental is the fact that all of us need humility and an open mind as we grope for better techniques to solve marketing problems, whether in the now-fashionable "motivation research" or in such routine tasks as measuring radio and television audiences. The present state of Marketing Research simply does not allow any reasonable approach to be discarded—nor to claim the field to the exclusion of all others.

SIDNEY HOLLANDER, JR.

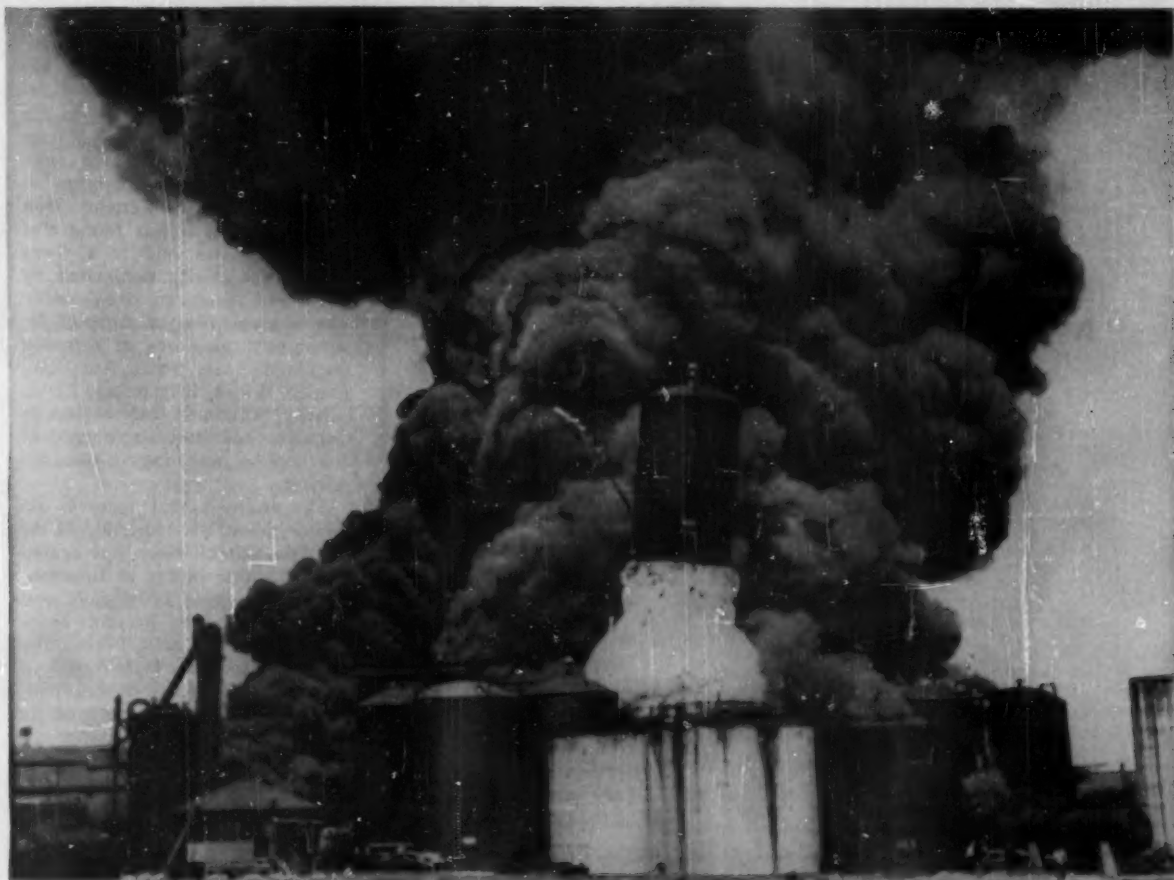
DALTIMORE, MD.

Interhandel Controversy

Dear Sir:

Your interesting article on General Aniline and Film Corp. [BW—Nov. 26 '55, p80] contained some serious misstatements about Interhandel, the Swiss investment company whose 90% stock interest in General Aniline has been held by the Alien Property Office since 1942. . . .

You said: "There's some confusion over who really controls the Swiss company. . . ."



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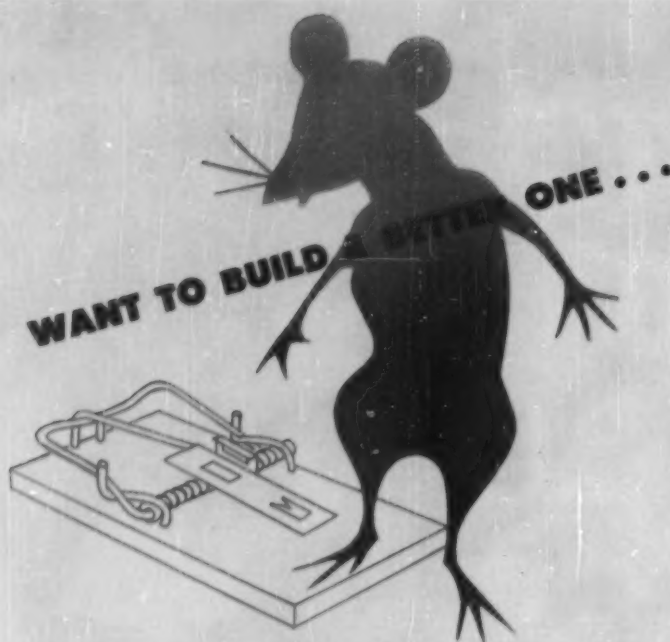
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The truth is that there is no such confusion in the minds of the Swiss. The President of Switzerland has announced his full support of Interhandel's claim for return of our property. At the request of the U. S., Interhandel was twice investigated by the Swiss government, acting pursuant to a treaty with the Allies, and it was found that Interhandel was and is a Swiss corporation chiefly dominated by Swiss and American stockholders. The overwhelming majority of Interhandel's thousands of common stockholders are Swiss, American, French, British, Belgian, and Dutch citizens. Common stock owned by Germans has never amounted at any time to more than a minority interest.

The truth is that there is no mystery about the ownership of the preferred stock, which has a substantial voting power in Interhandel. It has been beneficially and actually owned by genuine Swiss citizens since the early 1930s. The preferred stock has been registered since the foundation of Interhandel, and the whole history of its ownership is thus a matter of record. The names of the owners of the preferred stock were placed on file with the U. S. District Court in Washington as early as 1949.

You said: "Interhandel has been unwilling, or unable, to deliver documentary proof of ownership requested by U. S. courts—partly because the Swiss government has seized some of the vital records on the ground that disclosure would violate its bank secrecy laws."

Let me correct the misconception that Interhandel is "unwilling." The U. S. Federal Courts have held that Interhandel is in no way to be blamed for the situation which so far has deferred a trial on the merits of our case.

WALTER GERMANN

MANAGING DIRECTOR

INTERHANDEL, AG

BASEL, SWITZERLAND

• The Justice Dept. under two Administrations has disputed Interhandel's claim. Both District Court and Circuit Court have rejected the claim since proof of neutral ownership of the actual controlling stock was not established to the satisfaction of the courts.

There has been no question, as **BUSINESS WEEK's** story said, that the majority of stockholdings were Swiss. The question at issue is whether the holders of the controlling voting stock were Swiss or German at the time of seizure.

same story

over

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BUSINESS OUTLOOK

BUSINESS WEEK

DEC. 31, 1955



Your greatest hazard in 1956 is undiluted, unrestrained optimism.

It's going to be a very big year, doubtless the biggest on record. The value of all goods produced and services rendered should run, at the very least, 2½% higher than in 1955 and close to 10% above 1953.

But it may not be the kind of year many businessmen now visualize.

Business seems sure to set another new high for dollar volume in the first quarter. That's as nearly a certainty as any forecast of this sort ever can be.

Gross national product, for the first time, will top \$400-billion.

Yet this annual rate for output apparently will be a scant 1% higher than the value of all goods and services in 1955's final quarter.

When you start talking about gains of 1% from one quarter to the next, you begin to see the difference between 1955 and 1956.

The quarterly gains were running 2½% and better in the early stages of the boom; recently they have been close to 2%.

But, increasingly, gains in the New Year may be due more to higher price tags than to better physical output.

Availability of materials, manpower, and credit are placing a ceiling on the actual output of our mines and factories.

Physical volume, measured by the Federal Reserve Board's seasonally adjusted index, presumably will come out at about 144 in the final quarter of 1955. (That would be 44% higher than the 1947-49 average and 7 points better than 1953's best month.)

The coming quarter will do well to go even 1 point higher.

Everyone has pinpointed the two big industries that probably won't do so well in 1956 as in 1955—autos and home building.

And home building automatically influences demand for home furnishings and appliances although they by no means go hand in hand.

Industry leaders seem to agree that auto output will be off between 10% and 15% this year. Estimates outside Detroit run as deep as 25%.

Split the difference. A decline of 17% to 18% is realistic—or down from this year's 7,950,000 new cars to perhaps 6,600,000.

And remember: More cars will be sold than are made at that rate; such an output cut would demand a cleanout of dealer inventories.

You won't go far wrong to figure 1956 the second best sales year.

Home building can fall 10% from its 1955 mark (second only to 1950) and still come close to 1.2-million new dwelling units.

But even this rate can be achieved only if mortgage terms are relaxed somewhat in the months to come. The way new starts have been tumbling in recent months, it is clear that credit is pinching.

The number of "natural" buyers—people with a sizable down payment and the income to pay off in 15 or 20 years—no longer is very great.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

DEC. 31, 1955

Our ace in the hole for 1956 is as obvious as the soft points:

Industrial and commercial outlays for construction and for new equipment will be the largest on record. You read every day about new and expanded programs, particularly for factories.

Everything now confirms McGraw-Hill's survey whose estimated 13% gain for 1956 seemed a stunner when it came out a few weeks ago.

Industry's policy on inventory isn't so clear as on expansion.

Increased capacity is aimed at the growth everyone agrees must take place in the years ahead; inventory buying is for tomorrow's output.

Inventories now aren't alarming; in fact, they are skimpy for the present level of production. But the decline in demand for consumer durables will relieve some of the pressure by midyear.

Buying for inventory will taper off. This registers as a minus in terms of output and employment (or the size of the economy, over-all).

Consumers, in the final analysis, always determine industry's policy on inventory needs.

Thus the public appetite for goods (which powered us out of the 1954 recession and into the 1955 boom) requires precise measurement.

If people buy less durable goods, will they buy more nondurables?

Probably they will. But they won't spend enough more to make up the difference. For they bought 1955's durables on the cuff.

You'll note this week's government analysis showing that consumers pay 11½¢ of every income dollar (after taxes) on past purchases.

The bite would be even deeper if installment terms hadn't been lengthening (which means it will take longer than usual to pay off debts rolled up on purchases made over the past 15 months).

Repayment of debt (not even counting the mortgage load) will prevent any unusual splurge on softgoods such as food and clothing.

Indeed, it's doubtful if there's any occasion for such a splurge.

Figure on an increase more or less in line with expanding population and purchasing power.

Retail sales won't go on matching 1955's smacking 7% gain.

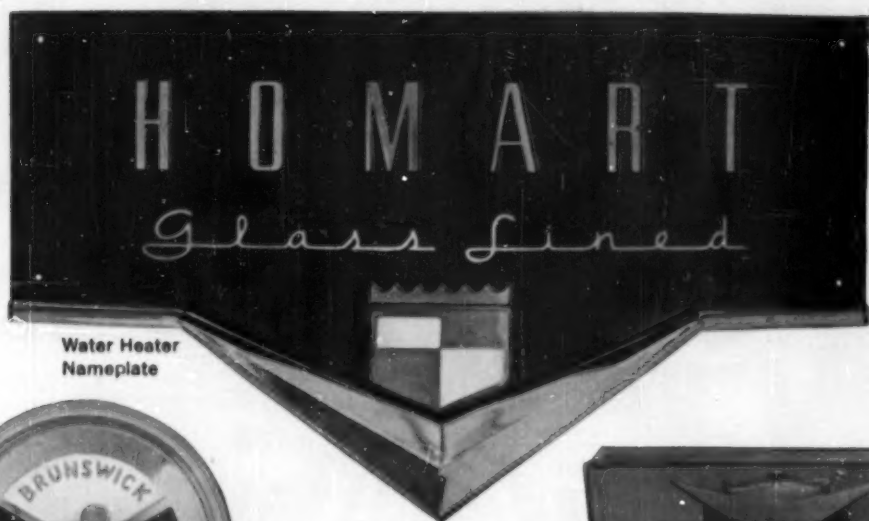
Look for machinery sales to be the bright spot in the 1956 economy. Machine tool orders the last couple of months give you some idea, with November's \$128-million volume the highest in four years.

But a great many other metalworking lines will be off a bit.

Foreign affairs, the stock market, and labor problems we'll be able to abide. But politics will muddle all three in this election year.

And, while gross national product may set a \$400-billion record in the first quarter, it probably will be below that by yearend.

In short: A good year, but no year to throw caution to the winds.



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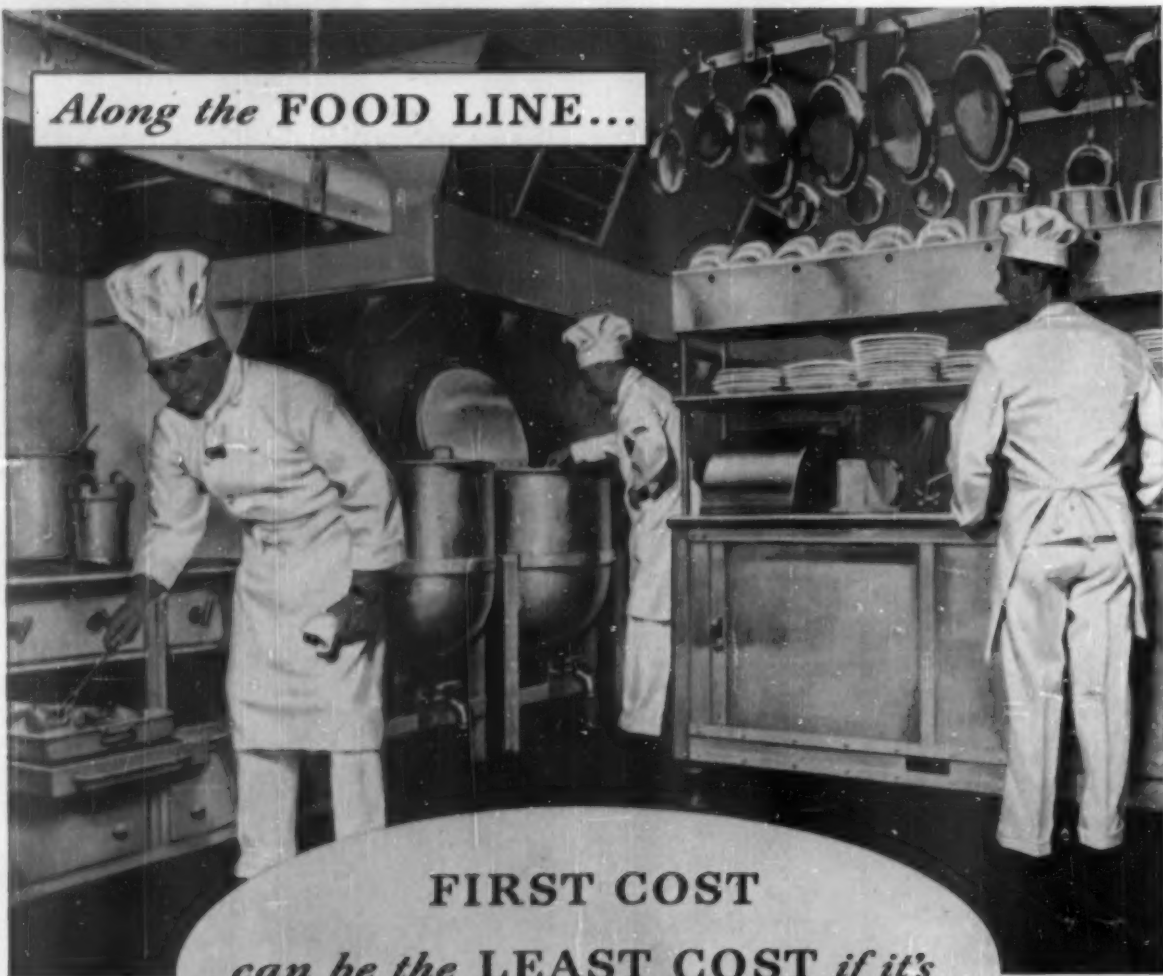
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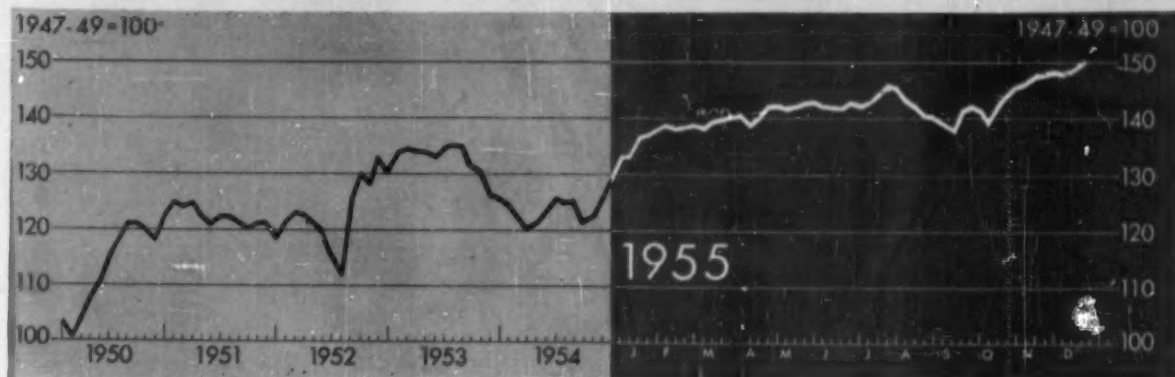
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Warehouse stocks carried by all Ryerson Steel plants



FIGURES OF THE WEEK



Business Week Index (above) [§] Latest Week Preceding Week Month Ago Year Ago 1946 Average

PRODUCTION

Steel ingot production (thousands of tons)	2,292	†2,338	2,356	1,850	1,281
Production of automobiles and trucks	182,114	†203,868	181,089	149,396	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$63,148	\$61,578	\$56,996	\$44,614	\$17,083
Electric power output (millions of kilowatt-hours)	11,614	11,602	10,727	9,431	4,238
Crude oil and condensate production (daily av., thousands of bbls.)	††6,992	6,946	6,859	6,401	4,751
Bituminous coal production (daily average, thousands of tons)	1,750	†1,803	1,743	1,485	1,745
Paperboard production (tons)	286,600	296,461	279,120	239,060	167,269

TRADE

Carloadings: manufactures, misc., and I.C.I. (daily av., thousands of cars)	71	72	74	65	82
Carloadings: raw materials (daily av., thousands of cars)	48	49	55	42	53
Department store sales (change from same week of preceding year)	+6%	+5%	+6%	+3%	+30%
Business failures (Dun & Bradstreet, number)	181	247	205	213	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100)	404.9	405.8	401.5	411.4	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	101.8	102.1	100.3	89.5	††73.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	74.7	74.2	74.9	90.7	††75.4
Print cloth (spot and nearby, yd.)	20.8e	20.8e	20.8e	18.8e	17.5e
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100)	155.1	154.8	154.6	144.6	††76.4
Scrap steel composite (Iron Age, ton)	\$53.00	\$52.17	\$47.00	\$32.83	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.)	43.369e	43.745e	43.256e	30.000e	14.045e
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.25	\$2.22	\$2.17	\$2.45	\$1.97
Cotton, daily price (middling, 14 designated markets, lb.)	33.79e	33.76e	33.61e	34.09e	††30.56e
Wool tops (Boston, lb.)	\$1.70	\$1.70	\$1.70	\$2.08	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's)	359.7	358.1	361.6	281.1	135.7
Medium grade corporate bond yield (Baa issues, Moody's)	3.63%	3.63%	3.59%	3.45%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	3%	3%	2½%	1½-1½%	1-1%

BANKING (billions of dollars)

Demand deposits adjusted, reporting member banks	58,670	58,558	56,386	58,025	††45,820
Total loans and investments, reporting member banks	86,793	85,698	85,369	86,564	††71,916
Commercial and agricultural loans, reporting member banks	26,604	26,317	25,833	22,423	††9,299
U. S. gov't guaranteed obligations held, reporting member banks	30,243	29,559	29,961	37,205	††49,879
Total federal reserve credit outstanding	27,101	26,428	26,208	26,612	23,883

* Preliminary, week ended Dec. 24, 1955.
† Revised.

†† Estimate.
‡ Ten designated markets.

§ Data for "Latest Week" on each series on request.

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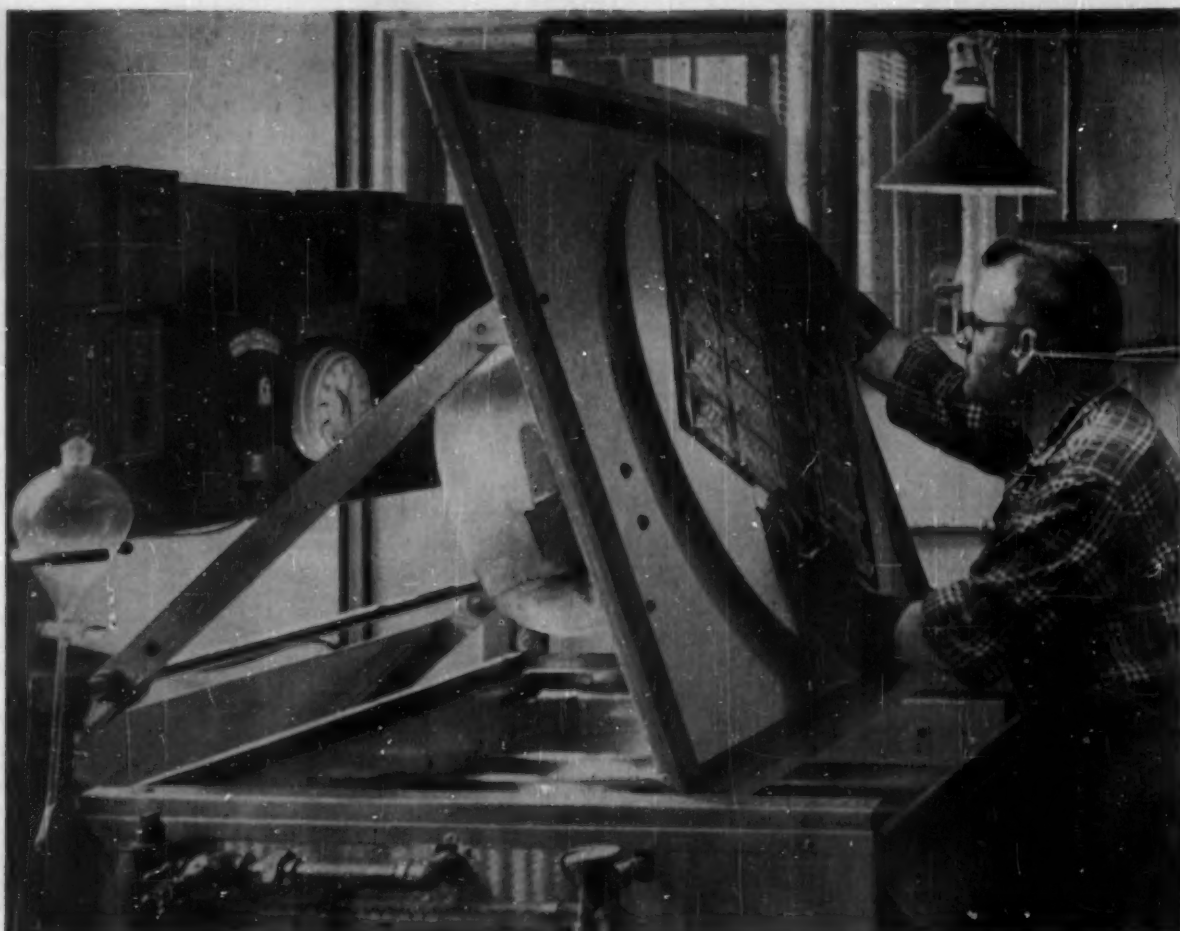
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How cooling controls the acid bite of an etching bath

The new Dow-Master Magnesium Etcher turns out magnesium printing plates in a fraction of the time engravers usually need for other types. Because of the speed of this process, the chemical reaction of etching generates heat which would interfere with the delicate balance of materials and impair plate quality.

This heat is removed by a refrigerating system charged with Du Pont "Freon-12"* refrigerant. A 1½-hp.

refrigerating unit maintains the temperature of the acid mixture within the critical 1¼° F. required.

This is just one of the many industrial problems solved by modern refrigeration using "Freon" refrigerants. "Freon" refrigerants are ideal for industry, because they are non-flammable, nonexplosive and virtually nontoxic. Du Pont's 25 years' experience manufacturing "Freon" assures continuous top quality and

purity. Whatever your refrigeration or air conditioning requirement, there's a "Freon" refrigerant to do the job.

Perhaps refrigeration can help you improve quality and cut costs. You will find profitable information in the Du Pont booklet "How Air Conditioning and Refrigeration Benefit Industry". Mail the coupon below. See what air conditioning and refrigeration can do for you.

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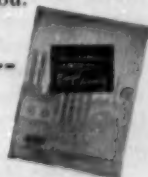
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Wausau Story

by WALTER O'MEARA

author of "The Grand Portage," "The Spanish Bride"—novels of American frontier life.



"Most everyone heads for the duck blinds . . .". Mr. O'Meara at Wausau's Wisconsin River shores with Stan Schaller of Shepherd and Schaller Sporting Goods Store.



"Wausau works hard, has accomplished much." Mr. O'Meara with Carter Olson of Wausau's Curtis Companies, Inc.

At heart, someone has said, there are only three kinds of people: sea people, hill people and woods people.

The pity is, so few of us can follow our hearts. In Wausau, they do.

Before you've been there half an hour, you know which kind of folks they are in Wausau. They're "woods people"—no doubt about it! The Outdoors is big and very near here, and Wausau takes to the woods at the drop of a dry fly.

Enjoyment of the outdoors isn't just a week-end thing here in Wausau.

Many people commute from their cottages on the near-by lakes every day in summer. Many plants and offices (such as the Curtis Companies, Inc., which I visited) open early and close early, so everyone can give daily attention to trout pools, garden plots and golf courses.

Don't think that Wausau folks do nothing but enjoy their natural blessings. Wausau works hard, has accomplished much. Yet its people are relaxed and friendly. They've got time—and take it—to share their good life with others.

It's part of their nature—of the Wausau personality. It's what makes them such good people to do business with!

Employers Mutuals of Wausau are "good people to do business with"

During the past two years many of our guest writers such as Mr. O'Meara have found there really is such a thing as a Wausau personality. It's a certain good way of doing business—which you'll find in each of our 90 offices throughout the country.

Employers Mutuals writes all lines of fire and casualty insurance (including

automobile), and is one of the largest in the field of workmen's compensation. We have two reputations, born in Wausau, which we hold to at all costs: Unexcelled service on claims and an accident prevention program that means lower insurance costs to our policyholders. For personal information, phone the office nearest to you or write to Wausau, Wisconsin.

... and good people to work for, too

It takes outstanding employees to make a company "good people to do business with." We have many such people—but as our business grows we need more—especially in our sales department. If you know someone who might be interested in career opportunities with Employers Mutuals nationwide sales organizations, have him write to us. His inquiry will receive personal attention. Write to: C. E. Smith, Sales Manager, Employers Mutuals of Wausau, Wausau, Wisconsin.

Employers Mutuals of Wausau



LOOKING AT 1956



Weighing the Future, You Can See

For 1956—A Crest Coming

The U.S. moves next week into a year of high business activity—higher, on the average, than during 1955. But it is also set for a year of readjustment.

Pushed on by the momentum of one of the sharpest peacetime advances in its history, the economy will keep rising through the early part of 1956.

But already the pace of that rise is slowing. The economy is straining against the limits of available resources, material and human. This is putting heavy pressure on prices; and these pressures will persist for some time. To curb inflation, the Federal Reserve Board will keep money and credit tight.

These are the wide factors that are limitations on the economy's continued growth at its 1955 pace. But another

—one that's even more serious from the standpoint of business—may be added to them: a cut in consumer purchases of durable goods. This will come primarily from consumers' unwillingness to go even deeper into debt than they did last year, while their income is so heavily pledged to repay past loans. A cut in consumer demand is already affecting two industries that powered the 1955 boom: autos and housing.

• **Turn by Midyear**—So the chances are that, before midyear—perhaps as early as the end of the first quarter—the economy will reach its crest. Thereafter, the year will be one of readjustment, and probably there'll be a moderate decline. The keyword is "moderate." A decline is unlikely to be serious, because six main factors will

continue to sustain the American economy in 1956:

- Business spending on plant and equipment will be increased by about 13% above its 1955 average (BW—Nov. 12'55, p27).

- The federal government will boost its spending by at least \$2-billion—and this will come when it's most likely to be needed, in the second half of the year.

- State and local governments will raise their expenditures by about \$2-billion.

- Consumer purchasing power will get a lift from the increase in the minimum wage from 75¢ to \$1, from rising wages all along the line—and possibly from a personal income tax cut. (This tax cut will become a cer-

"... The 1955 Boom Is in Its Late Stages; There Must Be

tainty if the economy begins to slip downward before midyear.)

- **Anticipated declines in consumer spending on durables** will be partly offset by increased consumer spending on nondurables and services, due primarily to population growth and continued high incomes.

- **U.S. foreign trade** will hold up at its present near-record rate.

A change in the economy's direction will also bring into play the government's stabilizers. Some are automatic—like the budget deficits that come from falling tax revenues and static or increasing expenditures, and the increased payments to farmers and to the unemployed. Others must be set to work by human hands—like the easing of money and credit by the Federal Reserve and other government agencies.

- **Lure From Detroit**—Business itself can be counted upon not to sit passively if sales start slipping. One of the most dramatic developments here is likely to be a long advance in the 1957 auto model introduction date. It's possible this will be set forward to August, but at latest it will be in the early fall. The 1957 models will be all-new, so they should be a powerful lure for the customers.

Still, the possibility remains that by the end of the year the economy will not have finished its readjustment and will not be growing fast again—despite the combined power of business strategy and all-out selling efforts, increased capital spending, more government expenditure, boosts in consumers' incomes, and strong foreign buying. Judging from past behavior of business cycles, so fast a turn-around would be exceptional. But some economists do see a chance in 1956 for the beginning of what they call a "cable-car movement" in the economy—up, dip, and then up again.

Whether the U.S. economy can achieve a quick turn-around will depend primarily on the behavior of that dynamic, unpredictable personality, the U.S. consumer.

1. Unpredictable Consumer

There's no secret about what caused the 1955 boom: Consumers spent their heads off. Indeed, they increased their spending more than they increased their incomes. In 1955, disposable income rose by \$13-billion. But consumption increased by \$17-billion—to an annual rate of \$260-billion.

To spend at that clip, consumers borrowed heavily. In the first nine months of 1955, instalment debt outstanding increased by 19%, and mort-

gage debt outstanding on one- to four-family houses by 13%.

By the end of September, total consumer credit outstanding was up to \$34.3-billion—about equal to 13% of personal income after taxes. Of that debt, \$27-billion was instalment credit, and more than half of it—\$14-billion worth—was automobile paper. Mortgage debt on one- to four-family houses topped \$85-billion.

- **Time to Repay**—This heavy indebtedness—and the heavy repayment obligations it implies—is the most critical factor for 1956. The volume of new borrowing has always been a highly volatile element. When consumers thought they had taken on about as much debt repayment obligations as they could handle, they cut back new borrowing. So sales, especially of consumer durables, fell.

That's what happened in 1950. It happened again in 1953. And it can happen in 1956.

- **Economic Pressures**—Through most of 1954, instalment credit extensions and repayments were running about even—at least \$2.5-billion a month. But during 1955, extensions climbed well above the \$3-billion-a-month rate, while repayments lagged well behind. Now it seems likely that in 1956 consumers will set out to close the gap between extensions and repayments.

That's one statistical reason why you can expect a fall of sales of consumer durables in 1956.

- **The Psychological Side**—But statistics alone will not give a clear prediction of the consumer's probable behavior. Obviously, the consumer didn't behave like an "economic man" in 1955. He did not shrewdly calculate debt-to-income ratios, or interest rates. His zest to borrow and spend grew less from his financial calculations, more from his feeling that the international situation was getting better, that the many years of high and rising income had really come to stay. It grew, too, from a strong sense of confidence in the President and his policies, from the buoyant atmosphere spread by a rising stock market. It was helped on its way by the sight of the snazzy new autos that Detroit turned out, and by the bigger and better houses that were going up in the suburbs and the exurbs.

But 1956 is dawning as a quite different year for the U.S. consumer. Interest rates have risen, and credit—particularly mortgage credit—is harder to get. Bulganin and Khrushchev have put the freeze back into the cold war. Pres. Eisenhower has had a heart attack. The election year is going to increase doubt and confusion about what the nation can expect from Washington in the

years to come. The stock market has sown its wild oats. And the 1956 cars look like the 1955s.

Nevertheless, it's awfully hard to know what that mysterious fellow, the consumer, will do in 1956. He probably doesn't know himself.

- **Probing the Consumer**—Periodically, the Survey Research Center of the University of Michigan makes an effort to read the consumer's mind. Its most recent study of consumer attitudes and buying intentions contains a warning on the coming year's rate of consumption (BW—Dec. 3'55, p158). The survey shows a high level of consumer confidence. But there hasn't been a marked forward thrust in consumer spending intentions. The research center's staff interprets its findings as indicating the consumer cannot be counted upon to provide further impetus to the economy in 1956. Mounting debt repayment schedules, tight credit, and rising prices may make him an increasingly tough customer.

This motion gains support from trends already evident in two industries of key importance—automobiles and housing.

II. Autos at Discount

In November, right after the 1956 models were introduced, auto sales were way down. At 530,000 units for the month, they were 22% below the monthly average for the March-to-September period. And the new cars were being offered at sizable discounts.

In Detroit, there was still widespread official optimism until last week that car sales in 1956 would equal 1955's record. Since then, though, General Motors, Ford, and American Motors have forecast industrywide production declines ranging from 10% to 15% in 1956. Year-end auto inventories in the hands of dealers are estimated at between 750,000 and 800,000 and these stocks are likely to swell further if first-quarter auto production is held to the advertised level of above 2-million.

- **Slice by Summer**—So it looks as though a pretty sharp cut in Detroit's production will be inescapable by the second quarter. It's impossible to predict the extent to which the 1957 models may bring a pickup in car sales and production. Still, a conservative forecast would be for 1956's auto production to slip from its 1955 record-breaking high of almost 8-million passenger cars to about 7-million, with a good possibility of even fewer than that.

III. Housing Worries

For the housing industry, too, signs are already here that 1956 will be a

Readjustment Before Rapid Growth Can Start Again . . . "

weaker year. Figured at an annual rate, housing starts in November were 1,203,000. This was well below the first and second quarter rates of 1,384,000 and 1,361,000. It was down, too, from the already declining third-quarter rate of 1,272,000.

These are the figures that have builders and housing officials openly worried.

Industry spokesmen in Washington are convinced that an easing in terms—lower down payments and approval of 30-year mortgages instead of the 25-year limit on government-insured paper—is on the way. Some say they'll come within 60 days. But the real question in their minds is whether such a relaxation will stop the current downtrend.

• **Question of Timing**—There's no doubt about the Administration's housing goal for 1956: It is for not less than 1.2-million starts. The Administration's top housing official has publicly promised the industry that he will do everything he can to keep starts at that level. But skeptics within the industry point out that even if housing terms are eased, the tightness of credit through the rest of the economy can be expected to continue well into 1956. And so, they say, housing may not be able to level off at the 1.2-million rate.

But even if the Administration does achieve its goal of 1.2-million starts in 1956, housing's latch-on industries—like floor coverings and house furnishings—will get caught up in the contraction.

• **Easing the Blow**—For the construction industry itself, a loss of 10% in residential building—in physical terms—will be partly offset by an expected rise in industrial and commercial building. So total physical volume of construction in 1956 probably will be down about 5%. But, because of rising prices, the total value of all construction is likely to increase about 5% over 1955.

IV. Steel—Sold Out

One industry that won't be hurt by anticipated declines in housing and autos is steel. Steel makers say they are completely sold out through the first quarter, and that bookings extend well into the second quarter. Rising activity in the capital goods industries and in nonresidential construction will keep steel tight. And the expectation of higher prices—plus fears of a strike when the industry's contract with the union expires on Jun. 30, 1956—will see many steel-users still trying hard to accumulate inventories up to the middle of the year.

• **Internal Demands**—If business activ-

ity falls off as the year wears on, and inventory liquidation starts, there is likely to be some reduction in steel output. But the steel industry needs plenty of its product for its own expansion. The industry is planning to boost its own capital spending on plant and equipment to almost \$1.5-billion this year—some 72% above its 1955 spending. Total production of steel in 1956 should equal or beat 1955's record output of about 116-million tons.

So the year will have its bumps for producers of durable goods. It's likely to be rough, too, for the farmers: Farm income will continue to slide, though a boost in government payments will help offset the decline.

V. Room for Growth

There's little danger in the inventory situation as the year begins.

Inventory-sales ratios, in manufacturing and wholesale and retail trade, are still low compared with past periods. The terrific pace of business during 1955 kept them low. The ratio of total inventories to sales in October was 1.54; the year-ago ratio was 1.69.

Some build-up in inventories is likely during the first part of 1956: Rising industrial prices and persistent raw materials shortages will force that. But even if sales decline early in the year, it is unlikely that there will have been enough time for inventories to build up to a point where their liquidation would drag production seriously.

• **Strength From Planning**—Business expansion programs will put some more strength into the economy. Capital spending by business on plant and equipment was a slow starter in the 1955 boom.

Surveys made by the Securities & Exchange Commission and the Commerce Dept. and by McGraw-Hill forecast a 12% or 13% increase in capital spending for 1956 over 1955.

Part of the increase undoubtedly represents expected price rises. But still, capital spending by business—which looks ahead to the needs of the economy well beyond 1956—will be an important sustaining factor in the coming year. The anticipated moderate decline in business activity isn't likely to cause substantial revisions of capital spending plans.

VI. Federal Stabilizer

The mighty role of government spending in the U.S. economy is probably one of the biggest single factors that will prevent any decline in 1956 from running away unchecked.

Government purchases of goods and

services last year amounted to \$75.5-billion—roughly 20% of the gross national product. This great stream of steady government spending ensures that downturns in the rest of the economy cannot snowball through all industry to the extent that was possible in the 1930s and before. Moreover, the change in the volume of government spending in 1956 will be a source of extra strength for the economy, not a deflationary element, as it was in the post-Korea recession of 1953-54.

• **Spending Budget**—It's clear already that the Administration will not dish up a deflationary budget in 1956. Instead, it is planning a number of increases in spending, and is still hoping for a tax cut for about midyear.

The spending increases will be headed by the military, which will be up about \$1-billion. Foreign aid is expected to gain some \$200-million. Federal funds for roads may go up \$250-million to \$500-million. Medical research is getting a \$25-million boost. A new farm program may pump out \$500-million more. There will be some offsets, but it is hard to see how they can be big enough to block a solid rise in federal spending.

All this spending won't fall in calendar 1956, of course. It will be authorized for expenditure beginning Jul. 1, and may be delayed further if the Administration thinks the economy can't absorb it without inflationary effects. Just the same, the outlook adds up to a money-spending session of Congress.

• **A Partisan Matter**—On the tax side, everything depends on the business situation—and on politics. Any softening of business before midyear, even a general round of predictions that business is going to soften, will open the gates for a tax cut. And the lawmakers may push one through even if there is no weakening of the boom.

At the same time, state and local expenditures will continue rising this year. In 1955, state and local spending slowed somewhat, as a result of lower-than-expected financing of highways and other projects. But now financing has moved ahead again, and the prospect of a sizable gain in state and local spending in 1956 is strong.

• **Readjustment for Growth**—With so many powerful sustaining factors, the U.S. economy should be able to roll through the readjustment, brought on by the terrific pace of 1955, without serious trouble. GNP in 1956 should balance out 3% to 5% above 1955—at least, at current prices.

But, in real terms, the 1955 boom is in its late stages. There must be some readjustment before its rapid growth can start again.

Suit Hits IBM

Sperry Rand charges unfair practices in tabulating machine field, seeks \$90-million and injunctions.

Sperry Rand Corp. this week filed a \$90-million damage suit in U.S. District Court against International Business Machines Corp., charging unfair trade practices in the tabulating machine business.

The 17-page complaint, based on the Sherman and Clayton antitrust laws, charged IBM with such things as exclusive leasing agreements, board of director tieups, reciprocity, coercion, rebates, and actual tampering or interfering with the operation of Sperry Rand machines—all done specifically "to discourage users of tabulating machines manufactured by the plaintiff."

Sperry Rand wants the court to:

- Find IBM has established a monopoly.
- Grant triple damages for the \$30-million it says it has lost.
- Issue an injunction restraining IBM in the future.

The suit comes at a time when there are rumors that a parallel suit filed by the Justice Dept. in January, 1952, against IBM is close to settlement. The government claims IBM refuses to sell machines, but only leases them, and has otherwise monopolized the field (BW—Feb. 2 '52, p. 25).

• **Denial**—Commenting on both the actions an IBM spokesman denied it was a monopoly or was in violation of any antitrust laws. He said the company was meeting with the Justice Dept. "in an attempt to narrow the issues to be resolved." And he raised the possibility of "resolving certain or all of the areas in dispute by mutual agreement" with the trust-busters.

The tabulating business—especially the big electronic data processing systems such as Sperry's Univacs and IBM's 600 and 700 series—is in its biggest growth periods (BW—Jul. 24 '54, p. 58).

When Remington Rand, Inc., merged with Sperry Corp. last year, one reason given was to make a bigger dent in the field.

In its suit, Sperry says the over-all tabulating business is dominated—almost 100%—by IBM and that it has been expanding its volume 20% a year to the present \$200-million in annual rentals.

Sperry Rand says further that its own volume is less than \$17-million and it steadily lost market position from 1950 to 1955.



HEAVY RAINS sent waters of Klamath River surging through Klamath in California and caused serious flooding in other areas. For sections of West Coast, it was . . .

A Wet Christmas

An unexplained shift in the jet stream air flow across the Pacific dumped tons of water on northern California and southwestern Oregon last week, flooding dozens of towns and forcing some 50,000 persons to flee their homes for the Christmas weekend.

The floods moved with such force, speeds, and ubiquity that even official estimates of loss were conjectural. At midweek, there were 45 known dead and a score or more persons missing and presumed dead. Physical damage to homes, farms, bridges, and autos was pegged at \$125-million. The disaster was viewed as the worst to hit the Pacific Coast since the San Francisco earthquake and fire of 1906.

• **Premature Welcome**—The storm began on Monday, Dec. 19. The steady rain generally was welcomed by California farmers, whose crops have suffered this winter from lack of moisture. The downpour subsided at midweek.

But on Thursday the storm returned with a vengeance. By this time the jet stream flow had turned far enough south to meet warm tropical air. The resulting pressures pelted the whole area with rain that was whipped into the soggy soil by winds of hurricane velocity (75 mph.) and greater.

Rivers and creeks from Santa Barbara north to the Oregon border and from the coast east to Reno swept over their banks, burst through dikes. Whole communities were engulfed.

• **Stricken Areas**—Hardest hit were the low-lying communities of Yuba City, Guerneville, Stockton, and Santa Cruz. Eureka, the lumber capital of California on the Humboldt Bay, was isolated for several days by the surging waters of the Eel and Mad Rivers, but escaped inundation.

Pres. Eisenhower declared the stricken part of California a major disaster area, paving the way for emergency federal relief and for allotment of defense contracts to industry.

• **Ironie Twist**—Whatever the total loss, northern California faces a major job of reconstruction. And, ironically, the one material it produces in greatest abundance—lumber—may have to be imported from other states. For the flood waters literally washed away scores of small lumber mills. And the bigger mills lost millions of feet of finished lumber and quantities of logs.

Little of the flood damage was covered by insurance. Yet insurance companies face an avalanche of claims for homes damaged by wind and rain.

GE Tries "Realistic" Pricing

- General Electric isn't abandoning fair trade.
- By cutting prices, it's attempting to build greater volume giving dealers a profit through a faster turnover.
- Company's move may force other appliance makers to readjust their pricing structures downward.

General Electric Co. is trying to accomplish the difficult feat of taking some of the water out of distribution costs of small electrical appliances, and at the same time preserve its fair trade pricing structure.

In a dramatic move, kept carefully under wraps until the last minute, GE's Housewares & Radio Receiver Dept. last Thursday announced that it is cutting fair trade prices of its traffic appliances—toasters, skillets, mixers, vacuum cleaners, and the like—from 5% to about 30%. It is doing this by cutting margins all along the line, its own, its distributors', and its retailers'.

The announcement was made via closed-circuit television by Willard H. Sahloff, general manager of the department, who beamed his message to distributors in 15 cities. The cuts, to take effect Jan. 3, reduce retail prices on vacuum cleaners, for example, from \$69.95 to \$49.95, on portable steam irons from \$17.95 to \$14.95, on mixers from \$19.95 to \$17.95.

• **New Order**—GE is not dropping fair trade on its smaller appliances; in fact, it is putting radios under fair trade. What it is attempting to do is set fair trade prices just high enough to give dealers a profit through fast turnover and low enough to "cure the ill"—i.e., price-cutting—resulting from long margins, Sahloff told the distributors.

"Realistic pricing, cutting costs of operation and selling, increased unit volume, doing business with dollars instead of percentages, accepting lower margin competition, must be the order of the day."

Sahloff's move compares with that made a year ago by the GE major appliance division at Louisville. It abandoned the practice of setting list prices—there is no fair trading on GE major appliances—at the factory level, allowing each distributor to set his own list prices regionally. This was likewise an attempt to let prices glide down to the more realistic level of the marketplace. In other words, GE is openly removing the traditional umbrella of high margins that has protected inefficient, high cost dealers (page 42).

• **Less Gravy**—By "realistic" pricing in the present case, GE means cutting the dealer's discount from the present

36 1/2% to 32 1/2%, the distributor's margin from 15% to 13%. Here's how that works out for one item, the portable steam iron (discounts are always figured from the retail price):

	Old	New
Retail price	\$17.95	\$14.95
Retail margin....	6.55	4.86
Wholesale price..	\$11.40	\$10.09
Wholesale margin	2.69	1.94
Mfr's. price	8.71	8.15

• **Consolidating Gains**—GE is frankly out to build greater volume for itself in small appliances. During the past year, the small appliance division under Sahloff at Bridgeport, Conn., has given a pretty good account of itself. Reportedly it has boosted dollar volume about 27% over the year against an industry increase of some 9% to 10%. In a number of cities, retailers say that GE small appliances far outstrip other makes in sales; GE says that in several instances it is No. 1 in sales among all makes.

Sahloff's group now wants to consolidate these gains. GE as a whole, according to Pres. Ralph J. Cordiner, expects to up over-all volume this year by 10% to 15%.

• **Strategy**—To do this in the small appliance area, GE must, in Sahloff's words, "lower price differentials and margins which competitive manufacturers and private-brand merchandisers have been able to exploit."

Here GE has a curious problem stemming from the effectiveness of its fair trade enforcement policy, which it has carried out with some vigor the trade generally agrees. In a survey of fair trade pricing in 20 cities, BUSINESS WEEK recently found that though GE's effectiveness in policing its prices varies, in general it is attempting to check discounting in those states where fair trade laws still have teeth in them. (In 13 states, the laws are now ineffective.)

• **Counterattack**—This very effectiveness has had the consequence of causing discounters in Seattle, Cincinnati, Pittsburgh, and other cities to drop GE small appliances because injunctions were slapped on them when they cut prices. This has put GE at a disad-

vantage with other makes. And in some areas, merchandisers are pushing private label appliances to undercut GE fair trade prices.

• **Broader Base**—In order to boost sales, GE wants to "broaden the base of our marketing pyramid," or in other words to add to the 150,000 or 160,000 outlets now carrying GE small appliances. "We are asking the discounter—if he cares to sell our goods at fair trade prices—to accept realistic profitable markups," says Sahloff. There is some question, however, whether discounters will accept GE's version of realistic margins.

Here, for example, are some discount prices on the \$19.95 GE toaster in states where fair trade is ineffective: \$12.95 (Detroit); \$12.74 (St. Louis); \$13.95 (Miami); \$15.10 (Atlanta); \$12.85 (Dallas). These are all already well below the new list price of \$17.95. Granted that the new fair trade price gives less margin to cut, the discounter still may simply add on his present margin to the new lower price and go merrily on his way—thus intensifying the price warfare in appliances. GE has an even worse problem with its steam irons, which are widely used as loss-leaders and sold at or below the wholesale price.

Sahloff told the distributors that "lowering fair trade list prices will have the effect of making our products less attractive as loss-leaders." There is still, however, the problem of the 13 non-fair-trade states. Westinghouse, faced with this and similar loss-leading problems, recently cut fair trade prices out entirely.

• **Odds**—GE is betting on another horse. One of its hopes is that gradually the costs of discount houses are going to rise as they face competition from regular retail outlets and that they may eventually accept GE's new level of prices. The first reaction from discounters, however, was not reassuring. Masters, Inc., in New York City, brushed the action off as "a step in the right direction."

The move was not a hasty one on GE's part, though the timing suggested that GE hopes to capitalize on (1) low retail inventories after Christmas and (2) the virtual absence of Westinghouse from the market due to that company's continuing strike. Sahloff says that 18 months of study went into the decision to alter its pricing.

GE's move may force other makers to readjust their whole pricing structures downward to conform to the reality of the market. At the least there is the possibility that GE's action will forestall further price hikes in the field.

Economists See 1956 Adding Up to a Gain

The men shown on these pages, together with a half-dozen or so others, make up the National Industrial Conference Board's top-level team of economic microscope wielders—its Economic Forum. Their annual yearend probing into the U.S. economy, industry by industry and sector by sector, fits together to confirm *BUSINESS WEEK's* own picture of 1956 as a year of high business activity, tempered by readjustment (page 17).

But paradoxically, this cautiously optimistic over-all view of 1956 built itself up at their annual session out of specific forecasts that shaded from "healthy" or "excellent" in some areas to definitely pessimistic in others. Individually, many experts in the group saw a leveling off of economic activity due in 1956. But the consensus compiled by Martin Gainsbrugh, NICB's chief economist, added up to moderate optimism.

For the year to come, the 17-man group composed of economists from business, government, and the universities forecasts a 3% to 4% rise in gross national product—making 1956 the best year ever—despite their feeling that 12 months from now the economy might be turning down from this higher level.

• **Conservative**—Gainsbrugh, in compiling the 1956 consensus, noted that last year's session of the group was right in direction but way off base in estimating the magnitude of the 1955 boom. Last year's forum predicted for 1955 the same 3% to 4% rise in GNP that the group is now forecasting for 1956. This was far below the actual 9% jump. Part of the reason for last year's excessive caution, Gainsbrugh says, was the "typically conservative bias" of the group. This conservatism was also evident this year. The fact that most of the participants come back each year gives continuity to the forum's sessions and predictions—and an opportunity to check on past performance. Since the forum carefully gathers together experts on different sectors of the economy, it also provides one of the most comprehensive outlooks on record.

• **Totaling Up**—When the individual views were balanced out and added together, the forum's picture of 1956 looked like this:

• **Virtually full employment** throughout the year, with 2.5-million unemployed in the first half, from 2.3-million to 2.4-million in the second.

• **A stable price level**, with com-

modity prices inching up only 1½ points and consumer prices holding steady, but a lot of ups and downs in individual prices.

• **GNP rising** to an annual rate of \$405-billion from this year's \$387-billion (with the rate in first-half 1956 averaging between \$400-billion and \$405-billion, in the second half between \$405-billion and \$410-billion).

Much of the discrepancy between this group consensus and the pessimistic tinge of some individual views could be explained by this fact: Those who predicted a downturn in a specific area saw this trend offset by upturns elsewhere. Something else was clear, too: The economists' statements were much more cautious than their statistics.

One common cause for concern was the view that the boom was already in an advanced stage of development; many of the group felt this made a downturn inevitable. No one thought that a number of sectors would decline together, thus snowballing into an avalanche. But the notion that 1956 could bring a readjustment was shared by a majority.

• **Thesis**—The readjustment thesis had its prophet in Edwin Nourse, one-time chairman of President Truman's Council of Economic Advisers, who cited strong points and weaknesses in the current boom.

On the side of strength, he counted four favorable factors: (1) the "very solid foundation" of prosperity in terms of utilization of resources; (2) improvement in financial institutions, making the banking system, the stock market, and commodity markets no longer vulnerable to a 1929-type collapse; (3) the higher level of "economic sophistication" among businessmen; and (4) the ability to absorb adjustments. Taken together, Nourse said, these provide good basis for continued growth.

But Nourse also saw four elements of weakness threatening continued prosperity: (1) agriculture, "definitely out of step" with the rest of the economy; (2) construction, with an "overdose of stimulants"; (3) autos, unable to maintain their 1955 level; and (4) credit, unlikely to expand as fast in 1956 as it did this year.

These adverse factors, he argued, had "been swept under the rug while the big party was going on," but with an election year coming up, they would emerge to hamper growth. Weighing



HOROSCOPE FOR 1956: The National

the pluses and minuses, he predicted: not only a slowdown in economic activity, but a lower level in 1956 than 1955. Not, however, a crash or even a recession—only a "breathing space" to make overdue adjustments.

• **Steel**—This view was echoed, in part, by Bradford Smith, economist for U. S. Steel. He saw the economy in an in-



EDWIN NOURSE, former head of Council of Economic Advisers: "I think I see signs already of an incipient slowing down . . . a lower level in 1956 than in 1955."



Industrial Conference Board's forum of economists compares notes on 1956 business outlook in many industries and economic areas.

flationary phase "at or near the top of the boom," with the next phase a leveling off.

But Smith thought that 1956 would end up as the best year on record. Comparing it to 1953—when the economy started at a high level, then began reversing in May—he found in 1956 many of the earmarks of 1953.

For steel, Smith forecast production at about the 1955 level. (Last year, also, he declared that 1955 would not show any rise over 1954.) He foresaw 1956 demand keeping the industry at close to 100% of capacity in the first half, then tailing off to about 85% in the second half.

• **Retailing**—Malcolm McNair of Har-

vard's B-School predicted a new high in total retail sales, with most of the increase coming in the first half. He based this forecast on maintenance of high wages, with some advances in retail prices. Because of higher prices, he figured that dollar volume would outpace unit volume. But he did not see the retail sector providing the



MARTIN GAINSBROUGH of NICB: "... 1956 as a whole will yield the highest economic activity, the largest national output ... this nation has ever known."



IRA ELLIS of du Pont: "I think the outlook for the general business situation next year is excellent. I do not share some of the pessimism expressed. . . ."



GEORGE HITCHINGS of Ford: "Before the auto industry cuts production schedules it will do everything within its power to maintain customer sales volume."

steam it did in sparking the 1955 boom.

The main reason for this, according to McNair: A rise in the rate of savings would cut consumer buying, with the big drop coming in consumer durable sales, especially in autos.

• **Autos**—George Hitchings of the Ford Motor Co., did not disagree on this point. He found 1956 difficult to gauge because of 1955's tremendous upsurge. In his opinion, this year's big buying wave represented an upgrading and catching up by consumers, not a borrowing from the future. Yet he did not expect people to go on upgrading at as fast a pace in 1956. He put auto sales at nearer 6.5-million units than 1955's 7.4-million—but still higher than any year prior to 1955.

A drop of close to 1-million in car sales, according to Hitchings, could mean a \$3-billion decline in the economy. But he did not see such a decline actually coming, because any drop in car sales would be offset by increased capital expenditures.

• **Optimists**—The report on capital expenditures by Louis Paradiso of the Dept. of Commerce was one of the few optimistic highlights in the sector reports. Paradiso said the increase in investment planned by business in 1956 would offset declines in either cars or housing. But he did note that a slowing down in the rate of growth of capital investment could be expected in 1956. In 1955, the quarter-to-quarter rate of increase amounted to 6%; for the first quarter of 1956, the estimated rise is only 2%.

Another qualified optimist was Ira Ellis of E. I. du Pont de Nemours & Co. He complained about the pessimism of some of the others, contended that the outlook for 1956 was "excellent." This rosy glow, however, did not extend to his own field of textiles and apparel, where he saw a good first half and "a significant decline in the last six months." The textile cycle, he explained, is partially independent of the general business trend.

• **Construction**—An explicit forecast for the construction industry came from George Smith of F. W. Dodge Corp. Over-all, he saw construction rising by 3%, a "healthy advance." But he saw a 10% decline in housing starts—to 1.2-million in 1956. However, "upgrading" to bigger houses would keep the drop in physical volume limited to 8%; and price increases should mean only a 6% decline in dollar volume.

Other sectors scrutinized by the forum:

Foreign trade: A moderate increase in U.S. exports was forecast by O. Glenn Saxon of Yale, with the "last quarter of 1956 the best quarter of the year."

Money market: George Roberts of the First National City Bank felt that interest rates would go higher before there would be any switch on Federal Reserve policy.

Stock market: A year of "wide fluctuation with some groups of industries doing better than others"—this forecast came from Helen Slade, managing editor of the Analysts Journal.

Prices: Disagreeing with some others, Jules Backman of New York University saw no inflationary danger in 1956. He thought the pressure on prices would be slowing down in such areas as housing and autos.

Productivity: Solomon Fabricant of the National Bureau of Economic Research foresaw another increase in productivity next year.

Living Up Against a Tax Cut

Subcommittee decides that a federal cash surplus isn't sufficient grounds for an immediate tax reduction. Rather, it should be applied against the national debt.

On the eve of reconvening this week, Congress got some advice from its Joint Economic Subcommittee on Tax Policy: Go slow on cutting taxes until you can tell what the effect will be on the economy as a whole.

A surplus in the federal cash budget isn't sole justification for a tax cut; rather, it might be better to reduce the national debt. That's one of the conclusions the subcommittee reached in its report, released this weekend. The report is based on two weeks of testimony from more than 80 of the nation's top economists (BW—Dec. 17'55, p. 76).

• **Weight**—Considerable weight is given in Congress to recommendations of this joint committee. While the committee does not act on legislation, its economic suggestions are used by members who also are members of legislative committees that write tax legislation. Wilbur Mills (D-Ark.), chairman of the Tax Policy Subcommittee, is second-ranking member of the House Ways & Means Committee that originates all revenue legislation.

• **Inflationary**—The subcommittee report holds that a tax reduction in 1956 in the face of a booming economy might be inflationary. "Rather," the report says, "tax policy aimed at stabilizing the nation's economy would call for applying the surplus to reducing the bank-held federal debt. Only in highly prosperous times such as the present are we likely to find it economically possible to reduce the level of the federal debt."

While the report does not specify how much of the cash surplus should be applied to debt retirement, committee members indicate that it would be a token amount, around \$1-billion. While a substantial reduction in the debt might have a deflationary impact, a token reduction might be psychological proof we have reached a stable fiscal situation.

• **Second Look**—The report goes on to say that while all the information sub-

mitted at the hearings indicates a continued booming economy, this is a short-term look. Another look should be taken next spring. If at that time there are signs of the economy leveling off or turning down, then a tax cut might be justified.

And in the long pull, the committee thinks, prospects for tax cuts are rosy. "If we succeed in moderating short-run fluctuations in economic activity," the report reads, "we can count on a steady growth over the next decade which will make possible within that decade substantial reductions in effective federal tax rates—perhaps as much as one-third."

• **Suggestions**—The subcommittee also made some tax recommendations aimed at stimulating economic growth:

• Federal tax policy should recognize that the level of tax revenues in relation to the amount of government expenditures has an important bearing on the level of economic activity. Such coordination would tend to result in federal surpluses and debt retirement during prosperous times, and deficits during recessions and depressions.

• The built-in flexibility of the federal tax structure should be enhanced by strengthening individual and corporate income taxes.

• A balance should be struck between investment and consumer incentives. The report contends that if you put all the emphasis on stimulating consumption, you get an insufficient increase in capacity. The subcommittee condemns anything that tends to create preferences for special groups or industries.

• The tax policy should create a favorable climate for small and new businesses without—at the same time—giving preferential treatment to these groups. Care should be taken to avoid barriers that would penalize new and small businesses or that would block their access to financial resources needed for their growth and development.



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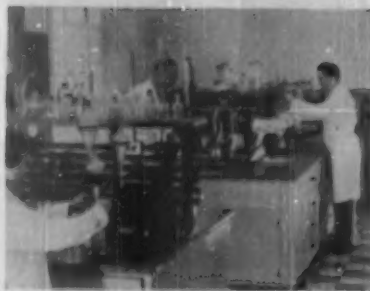
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BUSINESS BRIEFS

The long talked about station swap by NBC and Westinghouse Broadcasting Co. was O.K.'d by the Federal Communications Commission this week. The deal, hatched last spring (BW-May 28 '55, p. 144), gives NBC the TV station it wanted in Philadelphia, Westinghouse's WPTZ, plus radio station KYW. In exchange Westinghouse gets NBC stations WNBK (TV) and WTAM (radio) in Cleveland, and \$3-million cash. NBC also will give network affiliation to Westinghouse's newly bought KDKA and KDKA-TV in Pittsburgh.

A 12% auto production drop in 1956 is predicted by Harlow H. Curtice, president of General Motors. Curtice—whose 6.8-million-unit forecast last January came closer to the actual record total than any other industry guess—expects 7-million passenger cars to be turned out in 1956, compared with 1955's estimated 7,950,000.

Hilton Hotels, Inc., this week sold the Jefferson Hotel, St. Louis, to the Sheraton Corp. of America for \$7.5-million. This was part of a deal that Hilton is negotiating with the Department of Justice to settle an antitrust suit filed after Hilton acquired the Statler chain two years ago. Negotiations also are reported under way for Hilton's sale of the Hotel New Yorker in New York.

A \$150-million financing plan is announced by United Air Lines. The plan includes sale of \$120-million in 4% debentures and a \$30-million credit arranged with a group of 38 banks. The debentures mature in 1981; the loans are to be repaid within five years.

2.5-million tons of steel will be added to U.S. Steel's capacity in the next two or three years, the company announces. As of now, capacity is close to 40-million tons a year. The new plan envisions adding 1.5-million tons in the Chicago area, 380,000 tons in Utah, with scattering gains at other works.

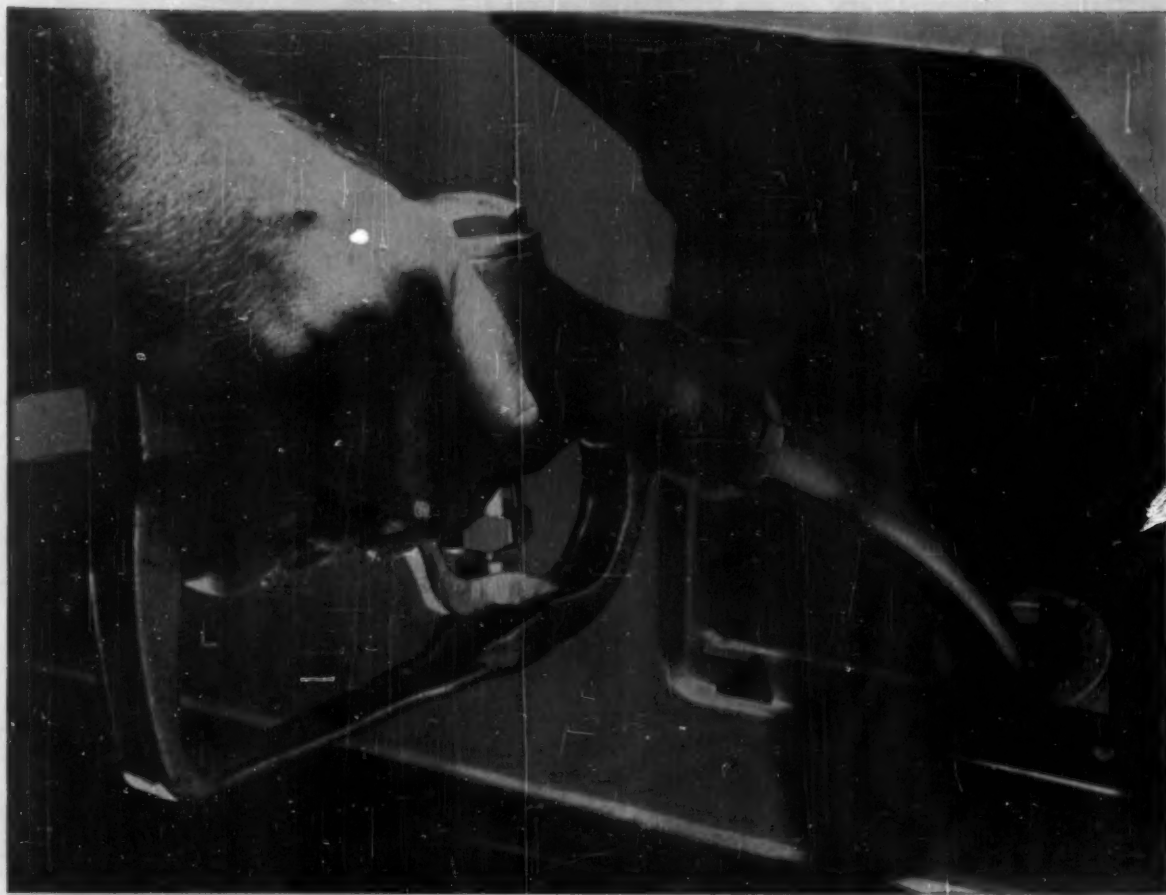
A wider branching: Glen Alden Corp., which produces and markets hard coal and air conditioning equipment, is diversifying still further. The company has arranged to take over Ward LaFrance Truck Corp., which does a \$9-million a year business in fire apparatus and rescue trucks.

Farm preview by estimators of the Agriculture Dept.: The winter wheat crop in 1956 will be up 4% above 1955, but rye output will be down slightly. The pig crop this spring will be 56-million head, 2% below 1955.

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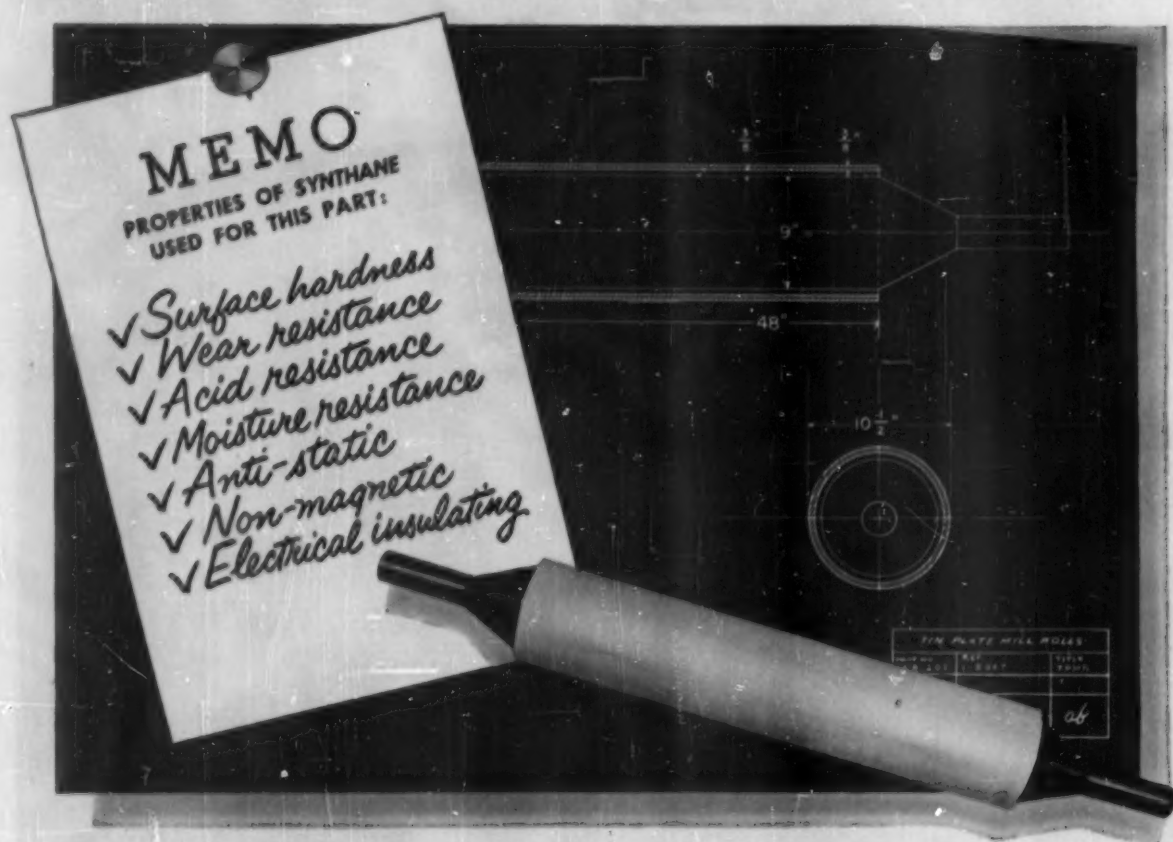
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
DEC. 31, 1955



Congress reconvenes Tuesday, Jan. 3. It's the nation's board of directors. As such, its decisions have a direct bearing on the business outlook. Some pointers to have in mind, as you look ahead:

It's not a new Congress, but the second session of the 84th—same men and, generally, the same issues.

Democrats have control. But their margins are slim in House and Senate. This works against any sharp and unsettling policy swings.

On hold-over bills, remember: Legislation left pending when Congress adjourned can be picked up right where it is. No new start of old business is needed. So, the decision making can start fast.

Unfolding of Pres. Eisenhower's program will begin next week, with the first of the three big White House messages—State of the Union first, to be followed by the budget and economic report. These will set the stage for the hot political battle that always dominates Congress in general election years.

Advance word on the President's messages is that they will play up an optimistic 1956 outlook, keyed to peace abroad and prosperity at home.

The danger of war will be played down. That is, big, atomic-type war. Behind this will be the feeling that the weapons stalemate will prevent any East-West showdown for the foreseeable future.

The threat of "brush fire" wars will be recognized. The hot spots: Korea, Formosa Straits, Indo-China, and the Near East.

Foreign aid will hold about as is. Military aid will be continued and extra emphasis will be put on economic aid to "contain" the Reds.

No big, general tariff cut is ahead. Eisenhower leans toward lower trade barriers. But widespread tariff reductions aren't in the cards in an election year. Opposition is too strong, even with times good.

Hottest political attacks will come on domestic issues. Foreign policy handling won't be immune. But the fight on it will come mostly from Democrats acting as individuals—candidates helping their own causes at home—rather than from concerted action, directed by the Democratic leadership. Bipartisanship on foreign policy will be retained, if only as a symbol.

Showdown on natural gas price regulation may come early. The House voted this year to give gas producers relief from price regulation by the Federal Power Commission. Expectation is that the Senate will handle this one early. Both parties are split. Opposition Democrats hope to gain by claiming that the GOP favors producers over gas consumers, despite the fact that Democratic leader Lyndon Johnson, Texas, is for the bill.

Antitrust legislation will make headlines, as Democrats push the theme that the Administration is "big-business minded."

Keep an eye on the Senate Kilgore committee. It has more influence in Congress than the House Judiciary Committee under Rep. Emanuel Celler. Kilgore's report is due before the end of January. It will plug for tough antitrust policy. But it may also recommend that overlapping Justice Dept. and Federal Trade Commission jurisdiction be ended. On mergers,

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
DEC. 31, 1955

the leaning is toward a law that would permit court tests of mergers before they actually take place.

The corporate tax rate will stay as is, 52%. It's supposed to decline to 47% in the spring. But the present rate will be extended.

Odds are against any excise tax cuts. The "temporary" Korean boosts on gasoline, liquor, etc., will be extended beyond Mar. 31.

Individuals may still get a cut. But the final decision will come in late spring, after the spending-revenue picture for the 1957 fiscal year is clearer. The Administration wants to wait and see. Some Democrats would relish a cut. But in an election year, they figure they perhaps can gain politically by blaming high rates on the GOP.

Spending will be on the rise, reversing the trend of the past few years. The upturn won't be sharp—about \$2-billion above the current fiscal year level, now estimated at around \$63.8-billion (page 68).

The rise will show in military and public works outlays. The aircraft industry, including electronics, will feel the rise most.

But a balanced budget still is foreseen. It is considered a sure thing for this fiscal year, which ends June 30. Whether it will carry through 1957 will depend on the future level of business and whether Congress cuts taxes.

Early moves on farm aid are in sight. Political considerations will determine how this issue is settled.

The Democratic strategy is to jam the House-approved return to 90% of parity supports through the Senate. They haven't enough votes of their own, but they are counting on support from some farm state Republicans. Eisenhower will veto any such bill and he can make the veto stick. Whether the Democrats would then put through Agriculture Secy. Benson's plan, based on a so-called "soil bank," is questionable. Their political decision may be to let the farmers hurt and take the chance that they can blame the hurt on Eisenhower opposition to 90% supports.

The Taft-Hartley labor law won't be revised, although factions in both parties will back some amendments.

Expansion of wage-hour law coverage will be backed by Labor Secy. Mitchell, with White House support. Idea is to extend the minimum wage to retail and service trades now exempt—though probably at a lower scale than the general \$1 minimum, but chances are slim that Congress will vote this.

Regulation of union welfare funds is a probability. Public disclosure of funds would be required, but no rigid controls.

A lower retirement age for women is likely. There's strong Senate support for the Mills bill, which would pay social security benefits to women at 62, instead of 65. Ultimate aim is a retirement age of 60 for everyone, men and women.

Discipline in Congress will be a problem for both parties. In election years, members are inclined to think first of what will help reelect them, individually rather than of what's best for the party as a whole.

LIGHT-SAVING GLASS

... LIFE-SAVING ANTIBIOTICS



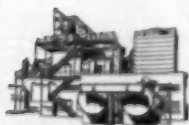
how are they **ALLIED** ?

Glass for modern building has more in common with penicillin than you might suppose. Both require chemicals developed from the long alkali and chlorine experience of Allied's Solvay Process Division.

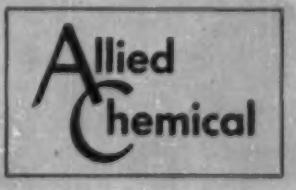
Soda ash, the most important of the alkalis, is basic to glass making; chloroform, a chlorine-based chemical, is used in antibiotic preparation.

An interesting diversity of products? It just hints at the variety turned out by the seven Allied Chemical Divisions.

How many products? More than 3,000—with new ones coming all the time. It's easy to see why every day so many farms, homes and factories are served by Allied Chemical.



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SHEETS
FROM
PACIFIC MILLS
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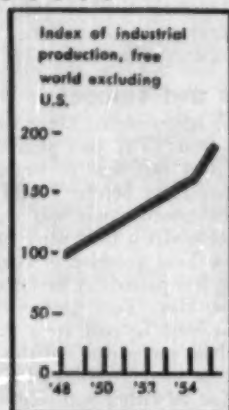
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In U.S. Markets — Next Door and Overseas



Data: United Nations

. . . . the Pace of Development Quickens

These things are very apt to happen in world business, 1956:

- U.S. foreign trade will hold to its present near-record levels, in the face of competition for markets, for resources, for political favor. American coal will go to Newcastle, American steel to Duesseldorf, American soft drinks to Bangkok.

- The new British Chancellor of the Exchequer will lose sleep over Sterling Area reserves—and postpone full, formal convertibility. Europe's money managers will get more practice using credit weapons against inflation.

- An American, a Japanese, a German will invest in Brazil, despite inflation, politics, red tape. Venezuelans, now producing oil at fabulous 2.25-million bbl. daily rate, will make a great deal more money. So will the giant copper companies in Rhodesia.

- Canadians will scale new heights of national output—and complain that the U.S. is disposing of farm surpluses abroad too rapidly. U.S. farmers will complain that the U.S. is disposing of surpluses too slowly.

- Germans will keep their noses to the grindstone, and the auto plant at Wolfsburg will spew out more little cars to confound British auto makers. The French won't seem to keep noses to

● Britain & Europe

Confident, bustling, inflationary . . . "How long can the boom last?" . . . Americanization of consumer tastes and demands . . . rapid flowering of atomic projects . . . more automation . . . more liberal treatment of dollar imports—but no formal convertibility . . . severe shortages of labor, steel, and—above all—energy.

● Canada

"Business Pulse at Fever High?" ask Canadians worrying about inflation . . . 1955 a record year . . . new high in capital spending in 1956 . . . steel shortage . . . more oil exploration and pipeline building . . . farm problem . . . "too much dependence on U.S. goods"—\$3.3-billion worth in 1955 . . . "too much foreign investment, not enough Canadian".

● Latin America

A slight drop in U.S. purchases . . . worry over huge coffee stocks . . . more U.S. loans, European competition . . . well-managed prosperity in Mexico . . . more boom in Venezuela . . . mining investment in Peru . . . galloping inflation—a new broom—in Brazil . . . strains in Argentina.

● Rest of the World

A restless market for 20% of U.S. exports . . . all eyes on underdeveloped Asia as Soviets press their suit . . . how much will U.S. help? . . . India begins Five Year Plan . . . Egypt starts its dam . . . Japan on crest of sudden export boom—but working on a thin margin . . . more minerals—more nationalism—in Africa.

The Boom: Intense, Competitive

grindstone, but will produce more goods than in 1955, and at least as much political uncertainty.

- Travelers, goods, and money will flow more freely among the non-Communists nations. The Communist world will step up attempts to sell its machines, as well as its political system, to outsiders.

In short, the business world of 1956 will resemble 1955—intense, competitive, expansive.

I. U. S. Prospects

U.S. government officials and economists see a relatively rosy year ahead for U.S. business abroad. Non-military exports, they believe, will probably hold steady at \$14.2-billion; much of our sales will be in raw materials such as coal and steel, with new opportunities to sell consumer goods and capital goods, though the latter face sharpening competition.

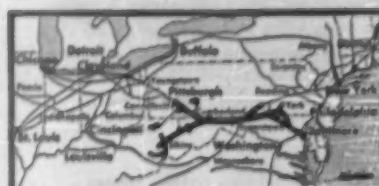
U.S. imports should rise—perhaps by \$400-million to a record \$11.8-billion. That would include a moderate increase in manufactured items—though one variable will be the extent to which made-in-Japan goods are affected by protectionist pressure. Industrial raw materials will show the largest rise,

mainly through price increases; dollar value of foodstuffs may decline, owing to weak coffee prices. Look for more oil, despite pressure on importers to cut down.

- **More Lending**—And look for an increased outflow of U.S. private capital, rising from 1955's low \$900-million or so. More public and private money seems outward bound—more medium- and short-term credit, more overseas ventures by Wall Street; more long-term development projects—such as Peruvian copper, Colombian oil, Canadian pipelines—demanding capital.

Yet in the midst of expansion there are questions. Industrial nations ask "How long can the boom last?" Underdeveloped nations want to know "Where can we get help to speed our growth?" All eyes swing to the U.S.

A recession in the U.S. would knock the props out from under free world confidence. But that doesn't seem likely. A more immediate concern—and again the problem is largely psychological—is the trend of U.S. foreign economic policy. The tariff increases on bikes and watches (page 36) still rankle abroad. All hands are watching the new protectionist drive for stiff quotas, rather than tariffs, to bar foreign goods. They are waiting too for Congress'



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action on the Organization for Trade Cooperation (OTC), which will set rules and police world commerce.

• **Troublesome Surpluses**—The world worries about the pattern of mounting farm surpluses. They'll be the focus of trouble politically, at home and abroad. And while they may have only marginal economic effect on commerce during 1956, surpluses may become a drag on 1957 business.

If quotas win and OTC loses, if U.S. farm disposal disrupts markets, American businessmen will find a somewhat less receptive climate for their goods overseas.

On the other hand, the U.S. seems poised to expand its development aid, as well as military assistance, overseas. During 1955 the government's Export-Import Bank sharply increased lending. During 1956, you may see the outlines of a new, long-term development assistance program taking shape (BW—Dec. 24 '55, p. 23). That could increase the flow of U.S. equipment, technology, and ideas abroad in years to come.

II. Business Climate Abroad

Here is a quick reading on the business climate in major U.S. markets.

Canada:

"Business Pulse at Fever High?" headlines a Toronto paper. "A few inflationary sparks have already been borne on the brisk winds of trade and commerce" counsels a Canadian bank in more lyric vein. After a year that started slow and wound up breaking records in output and spending, Canadians worry about shortages and rising prices. The Bank of Canada, maintaining the highest discount rate in its 20 year history, has a hand on the leash.

• **Buying Mood**—Both consumers and corporations seem in a buying mood for 1956; capital spending should pass a record \$6-billion. Large projects—pipelines, and major outlays for the Seaway—are in prospect. The limiting factor seems now to be shortages of materials—such as steel (page 36).

A busy Canada buys more from the U.S.—75% of its imports, in fact, some \$3.3-billion during the past year. American manufacturers of most items can expect expanding Canadian sales. And while the U.S. will buy more Canadian newsprint, copper, aluminum, nickel, it won't be enough to cover Canada's widening trade deficit with the U.S.

Canadians don't like this—but there's not much they can do about it. Many feel Canada should buy more from Britain and Europe, but that's easier said than done. Some Canadians want higher tariffs. A very few will get them; as a trading nation, Canada can't go whole hog raising barriers. Americans need expect no drastic policy changes.

• **Farm Gluts**—The farm problem is an exception—gluts plague Canada, and many a prairie town, and its farm equipment dealers, have suffered. It's over surpluses that the U.S. and Canada will tangle. But expect Canadians to speak more quietly. They don't like to butt in on a U.S. election year; possibly in anticipation of this quadrennial moratorium on griping, Canada was more outspoken during 1955.

Britain and Europe:

British businessmen sweep into 1956 on the crest. The past year has seen the greatest outburst of management confidence since before World War I, swamping construction and machinery industries under a tidal wave of orders. The New Year question is whether the wave top has passed. A better question might be: Has "Tory prosperity," generated at least in part by a deliberate policy of tax incentives and the removal of controls, merely produced a classical boom, due to wither and recede, or has the British economy reached permanently higher levels of activity.

• **Businessmen Optimistic**—Businessmen seem unworried by the financial problems that concern the bankers, Treasury officials, and economists: the high imports of coal, steel, and capital goods; the revived inflation; the drain on gold reserves; the scramble for resources. To be sure there's the threat of pricing British goods out of world markets, but many businessmen seem to rely on similar cost increases in competitor countries to balance things.

After all, they say, look at the changes in Britain: Almost overnight, a mass market for appliances, TV, cars—stimulating mass production and mass selling; higher spending power of workers and clerks, raising the demand for services; a labor shortage stimulating the quest for new equipment, automation.

To a greater or lesser extent, these same phenomena are apparent in Western Europe. Perhaps it's only because the continental countries entered the present boom period with larger unutilized resources of manpower and capacity that they have so far escaped the strains that are felt in Britain.

• **Energy Gap**—European economists and business people look for more liberalization of curbs against dollar imports, more de facto convertibility, more energetic efforts to attract U.S. capital. They think the British may be on top of their inflationary problem, and don't expect severe price increases elsewhere. They worry most about new capital needs—in energy, in steel. West Europe's advance has opened a wide energy gap: coal production is stagnating, water resources are largely used, refineries have trouble readjusting to demand for fuel oil. Everyone wishes atomic power were here now.

Over-all, the Europeans expect 1956 to be just comfortably, pleasantly tight.

• **Pinch in Germany**—West Germans expect tightness. And they expect their boom to slow down a bit. For one thing, much of this year's increase in output was based on anticipatory investment going into plant expansion; there'll be less in 1956. Shortages of labor, materials, capacity are pinching. Consumers in Germany want a larger share of the pie, and German business' lavish profits may shrink. Britons especially hope rising prices may make Germany less fierce a competitor in world markets. But they dare not count on it. The Bank deutscher Lander and Economics Minister Ludwig Erhard are determined to keep prices in line and exports healthy.

Still, German exports are bound to expand at a slower rate in 1956, and imports will rise. Observers in Bonn expect increased dollar imports.

• **Moderate Inflation**—The French are optimistic—but don't look for such a trouble free year, economically speaking, as 1955 has been. After three years of almost complete price stability, 1956 promises a moderate dose of inflation—thanks to a yawning budget deficit and higher wages. Without devaluation, France is unlikely to become a stronger exporter. And, since removal of import quotas is virtually impossible at existing exchange rates, it won't be a larger importer of U.S. goods. The franc is over-valued, and the French economy insulated.

Insulated or not, French industrial production (save for troubled textiles) rose a spanking 10% during 1955. For 1956, the rise will be less, just as it will in other European countries. Italy, striving to build up the southern half of its country, will strain its resources and may have to slow down. The Low Countries will prosper, though they too face rising wage levels and shortages. The Swiss, benefiting from the prosperity of their neighbors and the sagacity of their bankers, will make money.

Latin America:

These things stand out in the kaleidoscope of Latin America: new brooms in Brazil and Argentina; the breathless drive to build and industrialize—everywhere; increased mining activity; more U.S. lending; inflation; and—inevitably—coffee. U.S. coffee imports have risen and so has consumption. But the coffee growers are out-doing themselves. Brazil itself will have about a 4-million-bag surplus by June.

Latin Americans will do their best to prop prices, but they can't succeed completely. And as their coffee earnings drop, so may U.S. sales in Latin America. In part, a drop would be compensated for by larger earnings from mineral exports. Over-all, 1956

may see a slight decline in shipments to the 20 Latin American republics.

U.S. businessmen needn't expect a decline in trade with Mexico (our largest Latin market). Mexico's restrictions against consumer goods are tight now, and getting tighter. But Mexico's appetite for capital goods is terrific.

• **Balance in Mexico**—The 1954 devaluation of the peso seemed to wreck confidence, and it sent Mexican capital skittering abroad. Yet in the past 12 months, the country has marched to the biggest year in its history. Few Latin American countries have built such a well-balanced economy; few have been so well-managed from a monetary point of view.

The new year may bring some tests of Mexican monetary policy. Living costs are edging up. And Mexicans are worrying about cotton, their largest export, and the huge U.S. surpluses.

• **Kubitschek's Dilemma**—Brazil looks to President-elect Kubitschek to "get things rolling" out of today's business doldrums. How to do that and avoid inflation is his dilemma. It's certain that Kubitschek will press the U.S. for loans to buy heavy equipment for power and transport.

With heavy debt service, and none-too-high coffee earnings, Brazil will be able to buy few non-essentials in the U.S. This, plus political uncertainty, clouds the trade outlook in Brazil.

Brazil needs a thorough-going, and probably unpleasant, fiscal housecleaning. Whether Kubitschek is the man to do it—and if he is, whether Brazilians will support him—is one of the prime economic questions in Latin America.

• **Uncertainty in Argentina**—Another is the success of the revolutionaries in Buenos Aires in rebuilding the Argentine economy. The going is slow and hectic; many Argentines bet that Provisional Pres. Pedro Aramburu, the second post-Peron leader, can't last in the face of pressures built up by 12 years of Peronist economics.

The government, for all its good intentions, is all at sea on economic matters. And while the U.S. stands ready to help once the boat stops rocking, few observers forecast any appreciable upsurge of U.S. trade, or investment, in the Argentine in 1956.

• **Venezuela's Boom**—In Venezuela, second ranking U.S. market in Latin America, the boom is riding high. But in trade matters Yankee businessmen face increasing competition from Europe, especially in engineering fields. That shouldn't reduce U.S. sales, but rather our percentage of the total. U.S. trade would suffer a setback if Washington should decree stiff quotas reducing Venezuelan oil sales to the U.S. That could shake Venezuela to its foundations. But such action by the



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SPECIAL PAPERS FOR INDUSTRY

U.S. seems unlikely. It's more likely that Venezuela will make the news by granting new oil concessions.

Rest of the World:

Nearly a quarter of U.S. goods sold abroad wind up in the restless Asian countries, Middle East sheikdoms, African colonies, the Commonwealth nations, and Japan. Quickening development in the area has created large demands for industrial goods—and the Russians, Czechs, Poles, Hungarians claim they are ready to supply them. The coming year may make Communist salesmen put up or shut up.

• **Japanese Worry**—Japanese businessmen, struggling to reestablish themselves in South Asian markets (and not doing too well at it) worry about competition from East European satellites, and even Communist China. Few Japanese have any illusions that their own trade with Red China will increase.

Nonetheless, normally pessimistic Japanese businessmen are more cheery as they enter 1956. They're on the crest of an export wave that none would have thought possible a few months ago. Trade with sterling countries has been excellent. With the U. S., it has been colossal. This year, Japan records an all-time high in sales to the U.S.

• **Trade Restrictions**—The new year may not see so many made-in-Japan goods in the U. S.—either as a result of self-imposed restrictions in Tokyo, or curbs in the U. S. On the import side, Japanese purchases of cotton (their largest U. S. import) may drop as Japan buys more in Mexico.

Japan won't encourage U. S. investment. With mounting foreign exchange reserves, the government apparently believes projects financed by foreign capital are less necessary now.

You hear second thoughts among Japanese businessmen: Japan is working on the thinnest of margins, they point out if world trade should falter, the nation would be hard hit.

• **Diplomacy Needed**—All Asians, and all Westerners too, are watching the progress of the key development projects now getting under way in 1956. Egypt should get some help to begin the High Dam at Aswan, and from the West and not the East. India, with a sound economy now, will set out in its second five-year plan, though many economists feel that it will strain Indian resources to the limit. A problem for the U. S. is how best to help Indians with their crucial development needs, given the kind of neutralism that now seems to hold sway in New Delhi. From Morocco to Indonesia, Westerners can expect to deal with ambition, unrest, and chip-on-the-shoulder nationalism. Diplomacy will be as much required of businessmen as of statesmen.

In Business Abroad

• • •

U. S. Watchmakers Are Looking To Import Quotas for Protection

The Swiss watchmaker's lot is not a happy one. If it isn't tariff rises, it's Senate investigation; if it isn't antitrust suits, it's Treasury Dept. rulings. Imported watches have faced all of these hazards in the past 18 months, and last week a new threat appeared: import quotas.

Domestic watchmakers are now pressing for quotas that might reserve for them perhaps a third of the U. S. market for jeweled-lever watches. That's double their current share. The industry's importance to defense is once again stressed. The watch people insist that higher labor costs here, and lower prices on imports, have wiped out any advantage they received from tariff increases in 1954.

The outcome of the quota bid (the domestic watchmakers also suggest higher tariffs, subsidies, more government orders) is a toss-up. Working-level officials who will make preliminary recommendations are expected to turn it down. But the industry has more than once demonstrated unusual political power.

Handling of the quota business may set an important precedent on other bids for protection on defense grounds. The new trade agreements law gives the President broad powers to curb imports in the interest of national defense. And while no action has been taken as yet, a half-dozen industries have applied for relief under the act's defense clause. Also note the fact that the U. S. watchmakers are looking for protection via quotas, a system that is gaining supporters among protectionist organizations.

• • •

Canadian Boom Helps Stelco Make a Record in Steel

Steel Co. of Canada Ltd. last week became the first Canadian steelmaker to pour 2-million tons in a single year. Stelco followed up its feat by announcing a \$70-million expansion, adding to a \$30-million spending program now under way.

Stelco, and the three other major Canadian steel companies, are busy with the boom, and through November turned out 4-million tons (the 1954 Canadian downturn dropped steel output to 3.1-million tons). They've spent upwards of \$400-million on expansion since the war, doubling primary capacity, and hope to add another 25% before 1960.

• • •

Business Abroad Briefs

Cities Service Co., expanding abroad in search of crude reserves, is going into Colombia, with a new 2.2-million-acre concession.

Antitrusters are exploring the chance of a peaceful, out-of-court settlement of the suit against United Fruit Co. Thus the fruit company issue, hot during recent Central American political upsets, cools down.

German steel: With the record almost in, West German steel output is a cinch to top 21.3-million tons, up 4-million tons on the year, and making Germany the world's third ranking producer.

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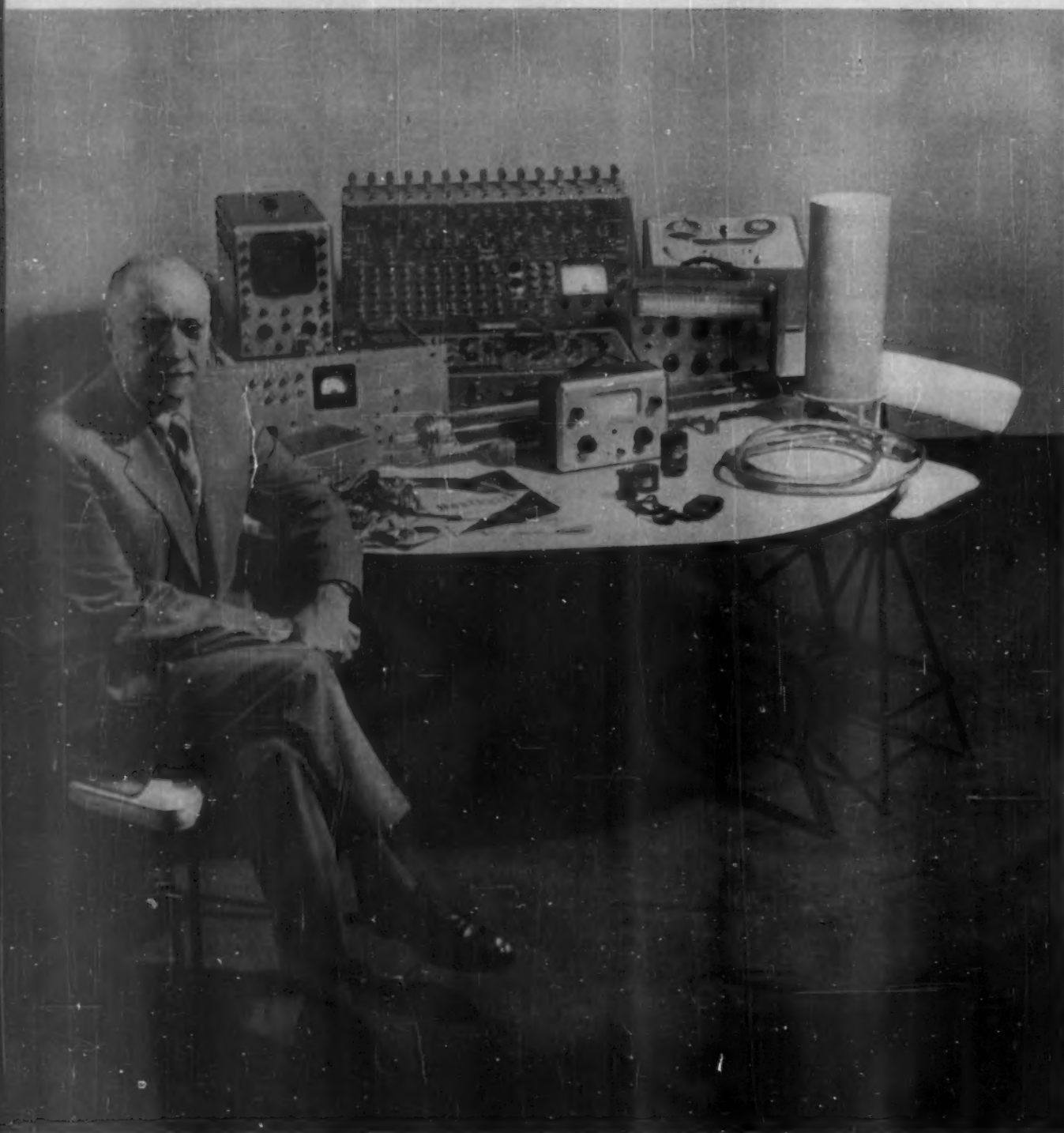
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Daystrom Diversifies Out of One



Tent Into Another

Under Pres. T. R. Jones (left), Daystrom has switched from its original one-market setup to a whole tentful of new, more profitable lines.

THE picture on the left gives you a table-top view of a company—and its president, Thomas Roy Jones—that has (1) diversified itself right out from under its original business and name, and (2) built up in the process something like a holding company setup, with its executives making up a top-level team always ready to take a plunge just about anywhere the lure of profits leads them.

That makes Daystrom, Inc., today a somewhat extreme example of two modern corporate trends: diversification, now at the point where few major companies are one-line, one-market outfits; and a decentralized form of management.

This week Jones announced the appointment of Dause L. Bibby, formerly of International Business Machines, as executive vice-president. His job: to coordinate the planning (especially sales) of the semi-autonomous divisions.

• **Decade of Change**—This process of change in Daystrom under Jones's management began about 10 years ago when he and his company—then a printing equipment manufacturer—got their first taste of greener fields in World War II.

It culminated late in 1955; and by the end of the year, Daystrom had wound up the financial details involved in sale of the original printing equipment business and the company's original name, leaving it with the new name and the electronics and furniture lines it had acquired along the way.

What Daystrom sold to a New York investment group—for \$9-million net after taxes—was American Type Founders, Inc., Elizabeth, N. J. In 1932, when Jones was called in by a group of banks to rescue ATF, it was an up-and-down printing equipment maker, selling essentially one line and one market. By 1955, ATF had become a subsidiary of the parent Daystrom company, accounting for about 20% of Daystrom's \$70-million business.

• **Umbrella**—In the reshuffle a few years ago by which ATF became a subsidiary, the parent company continued to operate under the original corporate charter. But in the past few years the charter was about the only thing Daystrom has had in common with the company Jones originally took over. Now, completely altered and with its

original line sloughed off, Daystrom is a corporate umbrella for a handful of businesses.

Daystrom's six operating divisions and subsidiaries are selling to diversified markets in the consumer and industrial fields, as well as to the government. In products, Daystrom ranges from build-it-yourself electrical kits (the latest: an analog computer), through metal-plastic furniture, to guided missile controls.

• **Sad State**—Though he had plenty of business experience, Jones was far from prepared for the shock he got when he left the management of Harris-Seybold (another printing equipment concern) to run ATF, in 1932.

His first step was to go over the books with the comptroller. One asset—an inventory item of \$250,000—stood out. The comptroller didn't know exactly what it was; it was in charge of "Charlie" over at the Monkeyhouse—a corrugated iron building that once housed monkeys taken by creditors of a bankrupt circus. Says Jones:

"My heart sank when I walked over there. The first thing I noticed was a beam of sunlight through the roof."

The \$250,000 turned out to be an inventory of rusted machinery. Jones had to dispose of it for \$500.

• **Plans and a Quick Eye**—By 1936, ATF was in bankruptcy. When the war started in Europe, it was back in shape, but it had to take on defense work pretty far afield from its regular business. That was the germ of Jones's idea of shifting out of the printing business to get away from its cyclical nature and lack of growth potential.

Since then, the story has been partly planned diversification, partly Jones's quick eye for opportunity.

The mix stems from the character of Jones himself—an engineering and Harvard Business School graduate. He's both a hard-headed opportunistic businessman with an eye for finance and also professional manager ready to accept modern management techniques and responsibilities in community leadership. For example, he has a director of human relations—in fact, was one of the first to use this title.

• **Plan**—The planned part of his diversification began when the company dabbled in electronics work during World

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Day-Brite recessed Troffers assure comfortable work areas in offices.



Day-Brite CFI (Comfort For Industry) lighting provides high seeing levels in production areas.



Day-Brite Plexoline • units provide high-level illumination in nurses' training classroom.

Here, from the nation's largest manufacturer of commercial and industrial lighting equipment, visual comfort radiates to thousands of the nation's classrooms, retail stores, showrooms, offices, factories, hospitals... All lighting requirements are met with the latest advances in illuminating

engineering and the most rigid standards of quality production.

SEE, EXAMINE and COMPARE Day-Brite with any lighting units. Look at the fixtures, not just the pictures. CALL YOUR DAY-BRITE REPRESENTATIVE.

Day-Brite Lighting, Inc.,
5474 Bulwer Ave., St. Louis 7,
Missouri.

Nation's Largest Manufacturer of Commercial and Industrial Lighting Equipment



War II. Jones picked that as a business with profits and return on investment far superior to printing equipment. It had growth potential, too.

So, in 1944, ATF made its first big step, buying into the electrical industry.

• **Chance**—But it was as an opportunist—not as a long-range management planner—that Jones got into furniture. Like many other companies, ATF had cash from the war.

"I looked at 300 companies—most of them overpriced because of inflated war profits," Jones recalls. "Then we got the chance to buy Daystrom Corp. in Olean, N. Y. It made furniture, but it was also a potential money maker."

Jones has held onto that business for one simple reason:

"It makes a lot of money."

The purchase also provided a new name for ATF. A combination of the surnames of two Swedes who founded the firm, Daystrom as a name just happened to have the ring of diversified technology about it. So, in 1951, Jones adopted it, with ATF remaining as the name of a separate subsidiary.

The Korean War gave Jones a further chance to try newer fields; Daystrom set up an instrument division to make fire control systems for the Navy. In 1954 he bought American Gyro Corp. in California, now runs this aircraft instrument and guided missile control manufacturer as Daystrom Pacific Corp.

• **Climax**—This year everything fell neatly into place—and once again it was a happy mixture of opportunity and Jones's planning:

• **The Heath Co.**—assemblers of do-it-yourself electrical kits—came on the market when the president was killed in a plane crash. When he read the news, Jones, a Heathkit fan himself, quickly sent a man out—by train—to purchase the company from the estate.

• Jones got a call from the West Coast asking if he wanted to buy a big block of Weston Electrical Instrument Corp. stock. He did—and later picked up more. In May, he merged Weston into Daystrom.

These two acquisitions will be run separately, each with its own president, as the rest of Daystrom's operations are.

The parent company, which this year will move its headquarters out of the ATF building to Berkeley Heights, N. J., simply acts as referee, consultant, and judge of results. Its directors do a sort of rotating act through the month—meeting first as the board of one operating group, then as board of another. This arrangement approximates a holding company setup but has the added advantage of keeping a close check on operating results.

This system—and his new executive vice-president—gives Jones ample time to mind his chief business right now: buying more companies. **END**

How Ford Holds Its Top Men

- Salaries match those of other leading firms.
- Bonuses, both current and deferred, are generous, and offer tax advantages.
- Best of all for the top men are stock options.

Along with the historic disclosure of Ford Motor Co.'s financial figures (BW—Dec. 24 '55, p. 74), outsiders got their first detailed look last week at what young Henry Ford II did to lure and keep the men he hired to rejuvenate his grandfather's business.

His top executives, starting with Board Chmn. Ernest R. Breech, have shared richly in the sharp rise in Ford's fortunes that started in 1946, the year they took command.

Today, Ford's executive compensation and incentive plan is an advanced model of a modern corporation's methods of rewarding management in an era of high income taxes. Here's what a Ford executive gets:

- Basic salary—in the \$100,000 to \$200,000 bracket, not out of line with common practice at the top.

- Bonuses.
- Deferred bonuses.
- Stock options.

- Company contributions to a retirement plan which starts paying after age 65 and runs as high as \$75,000 annually.

- **Breech Deal**—In addition, Breech, key man in Ford's team—has a contract that provides (1) a minimum of \$150,000 a year (he actually gets \$185,000) while he works, (2) \$50,000 a year until he's 65 and \$25,000 for 10 years after that if he leaves Ford before retirement, and (3) \$25,000 a year for life if he stays with Ford until 1957, when he turns 60. Breech and five other Ford executives also acquired shares in Dearborn Motors Corp., a farm equipment distributing company formed in 1947.

Ford's salaries and year-to-year bonus payments add up to a figure that at the top surpasses Chrysler Corp. but trails some \$200,000 behind General Motors.

Top man on Ford's totem pole, of course, is Breech. The registration statement filed last week with SEC as part of the stock sale requirements shows Breech earning \$321,000 in 1954—the same as Henry II—compared with \$300,000 for K. T. Keller, Chrysler chairman. Actually, you have to add another \$136,000 to Breech's figure—the other half of his 1954 bonus that he won't get until 1956. This pulls his figure up to \$457,000, compared with total earnings, under similar ar-

rangements, of \$686,000 for Harlow H. Curtice, GM president.

- **High Class**—This is high pay as far as most other industries are concerned, although executives of a few companies such as du Pont, Bethlehem Steel, Republic Steel, and Colgate-Palmolive get above the \$300,000 mark (BW—May 28 '55, p. 186).

Ford sets a fairly high pattern, too, for executives below the very top. Ranking high among other companies, Ford has a well-staggered pay scale for officers ranging from \$94,500 paid to William C. Ford in 1954 to a top (under Breech) of \$270,000 to Delmar C. Harder and Lewis D. Crusoe, executive vice-presidents.

- **Deferred Bonuses**—Ford's deferred bonus system was changed in 1955. Under the new plan, 6% of the company's income before taxes—but after deducting 10% on total capital investment—will be set aside as a supplemental compensation reserve, to be paid out by installments.

Figured on this year's estimated earnings, the amount for 1955 will be somewhere between \$40-million and \$50-million.

This is somewhat different from the older plan. Under that one, some of the bonus was added to "contingent termination credits" payable to an executive in five annual installments after he leaves. Breech and Ford himself have \$925,000 credited to them, with the others ranging down to \$142,500 for William Ford.

- **Tidy Package**—For Ford executives, all this adds up to an important package in a complicated sort of way. Behind the complication lie two reasons: (1) taxes, and (2) the company's fervent desire to keep its management crew together.

The two reasons dovetail. To gain a tax advantage on the money they are allotted but don't receive until later, the executives have to forgo full claim to it. In turn, this gives the company a firmer grip on the executives' talents. True, they can quit and take down the money that has been credited to them, but the rules also say they can't work for a competitor and they have to remain available to Ford as consultants.

In 1953 executives got a chance to share directly in the company's growth

as owners through a restricted stock option plan.

You get some idea of what has happened since June 30, 1953—when the options were granted—by studying the case of Theodore O. Yntema, vice-president in charge of finance, who came to Ford in 1949 from the University of Chicago. The registration statement threw light on his case because he apparently is the only officer who has sold any stock acquired under the plan.

- **Case in Point**—Here's how it worked out for Yntema:

In 1953, he was awarded an option to buy 4,000 shares of Ford's old Class A (nonvoting) common. This was the equivalent of 60,000 shares of the new common that's up for sale.

The first chance Yntema, or the others, had to pick up this option came this year. Under the plan he could exercise 30% of the total—and he did so, buying 1,200 shares. The price: \$315 a share. The price was established in 1953 as being a fair market value, according to two outside appraisers. Figured on the basis of the new issue, it amounts to \$21 a share.

His first 1,200 shares cost Yntema \$378,000, which he could pay off in installments. On Aug. 31, 1955, Yntema sold 1,000 shares back to the Ford company (it had first rights at repurchase). The price: \$902.50 a share.

Thus, on the 1,000 shares he made \$587,500. Assuming he waited the necessary six months after buying the stock to have the sale treated as a long-term capital gain, he had \$440,625 left after taxes. His remaining 200 shares, by a 15 to 1 split, became 3,000 shares of the new common stock—conservatively valued at better than \$200,000—which cost him \$63,000.

Moreover, he still has an option to buy 42,000 shares of new common to add to the 3,000 shares he kept from his initial purchase price. He can buy those—at \$21 a share—in lots of 15,000 in 1956, 15,000 in 1957, and 12,000 in 1958 for a possible gain—taxable at 25% and only if he sells—of something like \$2-million.

- **Chance for Others**—Each of Ford's top executives, other than members of the family, share in this option plan. Breech, for instance, gets the 90,000-share (new basis) option limit. Each top officer picked up the full percentage available to him in 1955.

Later, when Ford's stock is issued to the public, a new plan will begin. At the outset, the price on these options will be at least equal to the new offering price. Then, as each option is granted, the price will be fixed at current market value. **END**



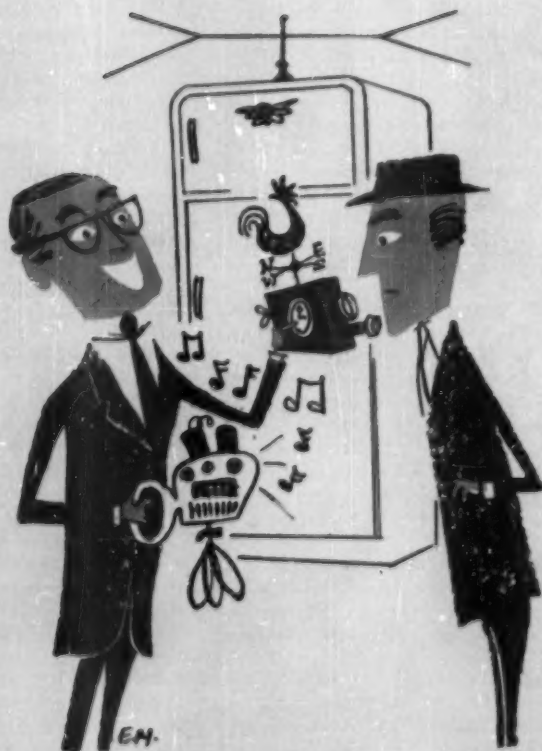
Advertising budgets will be fatter.

Distribution:

The most productive era in the nation's history is forcing structural changes in the machinery for getting goods to the consumer. As the pressure builds up, trends that were visible in 1955 will gather speed and strength.



Competition with discount houses will stiffen.



More new products will flood the counters.

Straining to Move the Goods

What will happen to the marketing and distribution pictures in 1956?

Here are some of the major trends to keep an eye on:

Advertising once more will show that it has departed from the historical pattern whereby advertising expenditures followed the sales curve. You can look for advertising volume to outstrip sales volume, as it has during the past couple of years.

Fair trade will virtually die, except in some few areas, such as drugs, and toiletries, proving that the "discount revolution" has made its full impact on the economy.

Department stores will become more competitive than ever as they fight more intensively to regain their share of the market.

The friction between automobile dealers and makers will increase as the latter push sales more aggressively in a slightly declining market.

Manufacturers will put more stress than ever on what are now commonly called "innovations"—new and changed products—in an effort to prod a somewhat hesitant consumer to buy.

• **Common Denominator**—Though at first glance these facets of distribution may seem disconnected, actually they are tied together by the one overwhelming fact that dominates distribution in the mid-1950s: the need to push the nation's enormous production through the pipelines to the consumer. It is this factor of productivity that has made the 1950 decade a watershed in distribution, sharply dividing it in character and structure from what went before.

The prewar era was dominated by a different problem, which might best be described by the economists' term "underconsumption." True, the country possessed a vast production machine, but it wasn't working at anything like capacity. The purchasing power wasn't there. Essentially, the distribution machine could have handled more goods had the buyers been at hand. The result was a philosophy of protectionism in wholesaling and distribution, the goal of which was to keep a floor under prices so that everyone could make a profit or at least stay alive, even on a low volume.

• **New Pressures**—Today the problem is vastly changed. It's essentially one of pushing a vast flow of goods through the distribution system, a flow that puts enormous strain on distribution. And as the pressure builds up, the strains and cracks in the traditional way of doing business get worse.

Demand meanwhile has advanced to

levels no one thought possible, thanks partly to the broadening of income distribution and the development of a middle-income market. The consumer, richer than ever, plays a major role in setting the tone of the economy, as he did in 1954 when he actually led the way out of the country's economic doldrums of that year.

Altogether, these changes have been altering the old distribution and marketing structure—and will continue to alter it in 1956.

I. Advertising

One of the most significant developments in modern advertising occurred in 1954, the year the economy faltered. Manufacturers' sales dropped 5%—but national advertising expenditures went up 6.5% (BW—Apr. 9 '55, p62).

For long years, Madison Avenue had preached the doctrine that advertising should lead sales, not follow them, that it should be used to create demand when sales fell off. But, historically, advertisers have paid only lip service to the idea—and gone on pegging their budgets to the sales curve. The 1954 figures were statistical proof that the role of advertising—as a stimulator of demand in a rich economy with vast discretionary spending power—has finally been recognized.

• **Ante Up**—In 1955, as will be seen when the final figures are in, advertisers once more pushed advertising volume a notch ahead of sales. Recent estimates made by McCann-Erickson for *Printers' Ink* magazine put 1955 total advertising volume, both national and local, at about \$8.8-billion; this should come to about 2.8% of national income as compared with 2.7% the year before. This coming year will undoubtedly see still another jump as the pressures of competition grow greater. U.S. business, which spent \$38 per person on advertising in 1950 and \$53 in 1955, will increase the ante again.

• **National Note**—Another major trend in modern advertising will also show up more strongly than ever this year. This is the growing importance of national as against local advertising. In the mid-1930s, over-all advertising volume split just about 50-50 between local and national. By 1955, the ratio had shifted just over the 61% mark in favor of national advertising, a clear sign once again of the pressure that manufacturers are putting on to push the flow of goods through the distribution pipeline. They rely less on local retailers, more on the efforts of their

own central sales offices, to stimulate demand and to create volume.

II. The Price Structure

This year, 1956, may be the year in which the so-called "discount revolution" fulfills itself.

The present discount structure, giving high profits to both distributor and dealer, is of long-standing. It was set in the protectionist era, when selling costs tended to be high because of a relatively low volume and because introducing a raft of new products to consumers from washing machines to radios meant rather high selling costs. Moreover, in order to get broad distribution, the manufacturers generally made the discount structure high enough to act as an umbrella over the most inefficient distributors and retailers. These discounts were frequently frozen in through resale price maintenance and other administered-pricing devices.

Mass-selling in an age when volume is the prime factor has been smashing this structure. The first crack came in grocery retailing, with the supermarket; over the past few years, the same pressure has been showing up increasingly in appliances and cars.

• **Realistic Approach**—This past year, it has become clear that industry has finally decided to take a realistic approach to its problem of pricing at the retail and wholesale level. The most striking instance was General Electric's decision to abandon the practice of having the factory set list prices on major appliances. Instead, it gave the distributors this prerogative (BW—Nov. 24 '54, p25). This action was a recognition of two things: that there are necessary regional differences in pricing and that one way to take the water out of the distribution margin is to let prices seek their own level—in general, the level set by the discount house, which has succeeded in lowering the whole price structure in the appliance industry.

GE's most recent action—in lowering margins all along the line in its fair trade prices for small appliances—is again a recognition of the new mass-selling era. GE has drastically cut back these prices to a "realistic" level, slashing margins all along the line, its own, its distributors, and its retailers. The new fair traded retail prices are somewhat above the lowest discount house prices now being offered in areas where resale price maintenance has been knocked out legally; they give what

what have superhighways to do with LENKURT?



Plenty! Take the fabulous Pennsylvania Turnpike... a sudden sleet storm threatens to telescope traffic... minutes later police cars and maintenance trucks converge on critical areas... the situation is under control.

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For their latest brochure, "New Horizons in Communications," write to Dept. M-3, Lenkurt Electric Company, San Carlos, California or 926 E. Hastings Street, Vancouver, British Columbia

"... on the whole fair trade is in bad shape and should be in even sadder shape this coming year, with some exceptions..."

DISTRIBUTION starts on p. 42

GE says is a "fair" profit to all retailers. By this move, GE hopes to increase volume, thus making up to retailers through greater unit sales the profit they lose in the percentage of margin on each item.

Should this have the impact on the appliance industry generally that GE thinks it will have, it is entirely possible that the old discount structure will be on the ropes—thanks to the discount house revolution.

• **Questions**—Two questions arise, however, from GE's action:

• **Will these price cuts hold in face of rising prices elsewhere in the economy?** It is conceivable that GE will later have to raise prices to meet increased raw materials costs. On the other hand, it is also possible that the cuts made by GE will touch off a price war among appliance manufacturers, who may fight desperately for each other's market.

• **Will the action save fair trade in small appliances?** By cutting back retail and wholesale prices to a more realistic level, GE has taken the water out of them and given discounters less leeway for price-cutting. If discounters choose to go along with GE, we may have the case of a fair trade price so realistic that it doesn't need policing.

III. Discounting

On the whole, however, fair trade is in bad shape and should be in even sadder shape this coming year, with some few exceptions.

It suffered major blows in several states in 1955—Arkansas, Georgia, Florida, Michigan, and Nebraska—where high courts knocked the laws on the head. There are now eight states (plus the District of Columbia) either without any fair trade laws or ones that have no teeth for enforcing them. In five other states, lower courts have ruled against fair trade. Furthermore, the fair trade forces were jolted severely by at least two major defections when Westinghouse Electric Corp. abandoned fair trade for all its smaller appliances and W. A. Sheaffer Pen Co. quit fair trading its pens. Sheaffer's was the unkindest cut, since pen companies have been notable supporters up to now of fair trade.

• **Here to Stay**—It is clear that industry as a whole now accepts the discount houses, in deed if not in word, and welcomes the volume they can produce. On top of this, it appears that many

companies are beginning to use the discount house to put pressure on their regular dealers. In other words, where department stores and other outlets fail to put sales pressure behind a branded product, the maker can threaten to put his efforts behind selling through the discount houses.

• **Leveling Off**—One important question rears its head as we enter 1956: Will the discount house's costs begin to rise as it becomes an established dealer and as the competition not only meets the discounter's prices but pushes him into offering more services? There is some evidence that this process has already begun, which perhaps indicates that the impact of the discount has already reached its zenith, that the price structure for all forms of appliance retailing are beginning to level out at the new low plateau.

• **Impact on Stores**—An important factor in this picture is now the department store, which stood aloof from discounting per se for years. Traditionally, department stores have been primarily softgoods merchandisers, which has meant that in this age when hardgoods volume has zoomed, they have lost their old share of the total retail market. After fumbling with the many problems of selling appliances, the department stores finally, about a year or so ago, began to move in on the business and compete on the terms of the discounters. This has been so effective that in some cities the department stores have taken business away from the discount houses.

• **New Techniques**—This is part of a more broadly competitive spirit among department store people, who in the past couple of years have begun to use unorthodox—for them—methods to cut overhead, which is the bane of the department store, and to generate mass sales. These techniques have included the use of small outlets to handle used appliances; the hiring of armories and other halls to pump out vast quantities of goods through special sales; the opening of stripped-down low-cost outlets in warehouses. The most striking example of this trend was provided this year by Filene's, the big Boston store, whose warehouse operation is being watched closely by the rest of the business (BW—Dec. 10 '55, p. 56). Should this experiment prove successful, it is entirely possible that department stores may be moving into an entirely new era in mass-selling.

If department stores are finally be-

ginning to bow to inevitability, many auto dealers are still fighting it with an eye on the departed past. The coming year will see more friction between auto companies and their dealers, despite the placatory gestures recently made by both American Motors and General Motors. In fact, the ill-feeling that flared forth dramatically in the Senate investigation into GM's bigness (BW-Dec.10'55,p25) will undoubtedly be made worse this year when car-buying tapers off slightly and the pressure to sell will be turned on full by Detroit. Essentially, the car makers figure that the volume of sales created by today's car market should make up for the high margin dealers used to get on each car. But not all the country's 40,000 dealers think in volume terms.

IV. Innovation

One of the major trends to watch for this year will be the increasing emphasis on "innovation," new-fangled term for new or radically redesigned products. There is a growing realization that if the economy is to grow at the pace set by the President in his Economic Report to Congress—\$500-billion worth of production by 1965—a great deal of this growth can only come through products not yet in production or even on the drawing boards.

An official for a major paper company, for example, speaking at a business gathering, recently remarked that "if we are going to double Gross National Product and my company is going to do a business two or three times its present size, the path lies down that of new products." An appliance maker figures that no less than 80% of the new volume created by it in the next decade must come from new products not being made now.

• **Spur to Research**—This growing realization is creating what is actually a new branch of marketing and motivations research. Industry must find out considerably more than it now knows about what people want in the way of new products, how they can be successfully launched, how to price them, how to avoid pitfalls, plus many other problems.

Implicit in this activity is the understanding that, as never before, the kind of rich, high-level economy we now have must depend on stimulating people to buy. We cannot depend on their wanting things automatically as in a poorer economy, where people simply crave more of the necessities of life. Increasingly, we face the problem that only a wealthy, superabundant economy faces—the problem of getting people to want what they don't actually need.

This is the other side of the high-pressure problem facing distribution and marketing this year.

Gas Price Fix . . .

. . . throws Massachusetts service station operators into a turmoil. The law affects four counties.

A five-year-old gasoline-pricing law has just been put into force in four counties of Massachusetts. Its stated aim is to stabilize prices, but its immediate effect seems to have been uproar and confusion.

In general terms, the law sets up machinery for determining the dollar-and-cents costs of retailing gasoline and requires dealers in that area to charge at least that much.

It works this way: A certified public accountant makes a survey of dealers in a given marketing area. From this survey (in this case around 30% of the drive-in station dealers submitted data), the accountants get an average cost of doing business. The dealers in the area then must add that amount of other basic costs—or violate the law. In this case, the markup was set at 5.9¢ a gal. The dealers then voted on whether this was satisfactory to them.

Regular gas has been selling in the Boston area for as low as 19.9¢ and high test for 22.9¢. According to the Retail Gasoline Dealers Assn. of Massachusetts, which has pushed the law from the start: "Disastrous price wars have cut gasoline dealers' profits by as much as \$10 to \$30 a day and caused 48% of all gasoline dealers in the area to go out of business within the past two years."

Reaction in the four counties this week was varied. Some dealers went along with the law; some refused. A Middlesex County judge issued a temporary injunction against a recalcitrant Esso dealer. A Suffolk County judge refused to issue an injunction in his county on the grounds that the law was unconstitutional. The association rushed to the law's defense, said only 6% of dealers weren't obeying. The American Automobile Assn. blasted the law for soaking the motorist and "inviting" rather than killing gas price wars.

The Massachusetts law was patterned after a similar law that has been on Michigan's books for some years. But it leaves some wide-open questions.

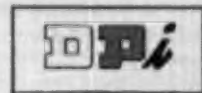
For example: How many dealers must submit their figures before the law is in force? The law simply mentions "retail dealers or any part thereof." It does insist that all dealers be given a chance to submit their data if they want to.

Another key question is whether or



Big deal

The order is only for 100 pounds. But that's 100 times as much of this particular organic chemical as has ever been seen at one time. Anybody looking for the right kind of chemical experience and facilities to bring off an assignment like that economically should write to **Eastman Organic Chemicals Department**, Distillation Products Industries, Rochester 3, N. Y.



Distillation Products Industries
is a division of Eastman Kodak Company

It says,

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FORT HOWARD
TOILET TISSUES!'**



Without crystal gazing any Fort Howard distributor salesman can show you that the finest grades of Fort Howard tissue cost as little as 7c more per hundred users than a run-of-the-mill brand . . . and pay you big dividends in softness, gentle absorbency, comfort and user satisfaction.

Among the 18 grades and folds of quality-controlled tissue produced by Fort Howard there is sure to be one that meets your requirements exactly. Call your Fort Howard distributor salesman today!



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*For 36 Years Manufacturers of Quality Towels,
Toilet Tissue and Paper Napkins*



not the 5.9¢ includes a profit. AAA's lawyer and District Attorney George E. Thompson of Middlesex County believe it does. The accounting firm itself says it represents costs only.

Most important question of all is on the legality of the law. In some states, similar laws have been thrown out on the grounds that the survey was too selective. At least one dealer is challenging the basic legality of a markup based on a survey.

Finally, what about the dealer whose costs are less than 5.9¢ a gal? Can he be required to add that amount? If he can't, the law would seem meaningless. To cap the confusion, the law states that the provisions do not apply to "sales where motor fuel is sold in good faith to meet the competition."

TV Pays \$2-million For RKO Film Library

In the largest sale of TV films in history, RKO Radio Pictures sold its entire library of 740 feature-length pictures and over 1,000 shorts to the C&C Super Corp. Thomas O'Neil, RKO board chairman and president of General Teleradio, Inc., which acquired the film company from Howard Hughes last summer (BW—Jul. 23 '55, p32), negotiated the sale for RKO. The price: \$15.2-million.

According to the trade, this move undoubtedly will persuade other film companies to release more of their films to television.

Matthew Fox, who handled the purchase for C&C Super and who is president of its new subsidiary, C&C Television Corp., emphasized that the films will be sold in "orderly fashion," so as not to depress the market.

Fox's plans call for a system whereby independent TV stations will build up their own film libraries with as much as a six-year supply. This will allow them to program films and advertising far in advance. Part of their payment may be in "spots" on which C&C Super will advertise its own products—including Super Cools and other canned soft drinks and hand power tools. Nearly 50% of the films already have been contracted for.

About 80% of the block will be made available immediately. The remainder are being held back under an agreement that permits RKO to retain its pictures until they have been shown in theatres for three years.

One welcome result of the sale—to TV viewers at least—will be to retire many of the old features that have been haunting TV screens for years. Among the films that will be shown on TV for the first time are *The Hunchback of Notre Dame*, *Citizen Kane*. **END**

REGULAR BRANDS CONTINUE TO FALL OFF

(Billions of Cigarettes)							
BRANDS	Regular	% Change from '54	King	% Change from '54	Filter	% Change from '54	Total
Camel (R. J. Reynolds)	77.0	- 7.2	—	—	—	—	77.0 - 7.2
Lucky Strike (American Tobacco)	57.0	- 1.7	—	—	—	—	57.0 - 1.7
Pall Mall (American Tobacco)	—	—	56.0	+ 5.7	—	—	56.0 + 5.7
Chesterfield (Liggett & Myers)	34.0	-15.0	14.0	+ 7.7	—	—	48.0 - 9.4
Philip Morris (Philip Morris)	17.0	-18.3	7.0	-14.6	—	—	24.0 -17.2
Old Gold (P. Lorillard)	12.0	-18.9	4.0	None	4.7	New '54	20.7 + 6.1
Viceroy (Brown & Williamson)	—	—	—	—	20.1	+34.9	20.1 +34.9
Winston (R. J. Reynolds)	—	—	—	—	19.5	New '54	19.5 +200.0
Kool (Brown & Williamson)	8.5	- 6.6	4.2	+40.0	—	—	12.7 + 4.9
Herbert Tareyton (American Tobacco)	—	—	8.0	-27.3	4.0	New '54	12.0 None
L & M (Liggett & Myers)	—	—	—	—	11.0	+77.4	11.0 +77.4
Raleigh (Brown & Williamson)	—	—	7.1	- 2.7	—	—	7.1 - 2.7
Marlboro (Philip Morris)	Dropped '55	—	—	—	5.9	New '55	6.0 —
Kent (P. Lorillard)	—	—	—	—	2.3	-42.5	2.3 -42.5
Parliament (Philip Morris)	—	—	—	—	2.2	-18.5	2.2 -18.5
Cavalier (R. J. Reynolds)	—	—	1.5	-50.0	—	—	1.5 -50.
Others	.6	-60.0	1.6	-38.5	.8	+166.7	3.0 -31.8
TOTAL	206.1	- 9.3	103.4	- 1.6	70.5	+ 94.2	380.1 + 3.1

Filters Win, Going Away

FILTERS SHOW
ONLY GAINS



SHARE OF MARKET (Percent)					
Types	51	52	53	54*	55
Regular	86.9	80.1	70.8	61.6	54.2
King	12.2	18.5	26.0	28.5	27.2
Filter	0.9	1.4	3.2	9.9	18.6

* Revised

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STANDINGS
REMAINED THE
SAME



SHARE OF MARKET (Percent)		
Companies	1954*	1955
American Tobacco		
Lucky Strike, Pall Mall, Herbert Tareyton	33.4	32.9
R. J. Reynolds Tobacco		
Camel, Winston, Cavalier	25.1	25.8
Liggett & Myers Tobacco		
Chesterfield, L & M	16.3	15.6
Brown & Williamson Tobacco		
Viceroy, Kool, Raleigh	9.4	10.5
Philip Morris		
Philip Morris, Parliament	8.7	8.5
P. Lorillard		
Old Gold, Kent	6.5	6.1

* Revised

The cigarette industry has emerged from the shadow of the cancer and heart disease scare. In 1955, after a two-year decline in sales, the industry gained 3.1%, according to the annual tabulation made for BUSINESS WEEK by Walter E. Knight, research director for the Louisville Chamber of Commerce.

However, the recovery still bears the scars of the 1953-54 slump. Total production of 412-billion last year—380-billion tax-paid cigarettes for domestic consumption and 32-billion tax-free ones for export—fell far short of the 1952 peak of 437-billion cigarettes in both categories.

Moreover, the 1955 comeback applied almost entirely to the filter types. As the table shows, the filters made the year's only sales gain, nearly doubling their 1954 sales. King-sized cigarettes without filters slipped a bit after a strong 1954, and regulars continued their slide.

• **Health Scare**—Apparently the people who are returning to cigarettes—and a government survey indicates that 1½-million Americans abandoned smoking between 1953 and 1954—are adopting filter cigarettes as a compromise with their fears about the injurious effects of smoking.

The health scare caught the cigarette

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"Share the Cost"
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And because it combines advantages of basic and major medical type coverage at a cost comparable to most basic plans alone, the "500" makes it possible for employers to buy insurance for employees . . . while employees contribute by paying their own minor expenses, trimmed of insurance costs.

Ask for the "500" Plan. It helps pay BIG bills, makes small bills smaller!



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Warehouses: New York • Chicago • Los Angeles • Dallas

48 Marketing

INDEX NUMBERS OF TOBACCO
 CONSUMPTION IN CIGARETTES
 PER CAPITA 15 AND OVER

(1947 = 100)

1925	32
1926	34
1927	37
1928	39
1929	42
1930	41*
1931	39*
1932	35*
1933	38
1934	42
1935	44
1936	50
1937	52
1938	51*
1939	53
1940	56
1941	64
1942	76
1943	86
1944	87
1945	99
1946	100
1947	99*
1948	101
1949	101
1950	101
1951	108
1952	112
1953	113
1954	106*
1955	107

*Years of decline
 Data U.S.D.A.

industry in a vulnerable position. Although the country's population has continued to rise, the increase is not in the generation that is coming of smoking age. So the market for cigarettes is expanding only slightly. For the next few years, until a big new crop of smokers matures, any gains in cigarette sales must be in per capita consumption, which has gained fairly steadily (table, above).

• **Filter Gains**—The industry's sensitivity to emotional factors, such as the cancer scare, shows up in the switch to filter cigarettes. The 94% gain of this type gives the filters 18.6% of the total market, compared with less than 1% as recently as 1951.

All filter brands gained except P. Lorillard's Kent and Philip Morris' Parliament, both of which are priced higher than some of the newer brands. Brown & Williamson's Viceroy continued to hold the lead among filters with 20.1-billion cigarettes, 5.3% of the domestic market. R. J. Reynolds' Winston was a close second with 19.5-billion, a 13-billion increase over its introductory nine months in 1954.

The only shift in rank among the filters put Marlboro, which Philip

Morris introduced during the year, into fourth place with an impressive 5.9-billion. Marlboro, now sold only in filter type, accounted for the only major development in packaging during the year, with its bright-colored cardboard box with flip-open lid.

• **Brand-Switching**—Cigarette makers see filters as here to stay, regardless of their original gimmick as an answer to concern about health. They find the filters responsible for much of the brand-switching that has been going on. Once a smoker has been detached from his established brand by a decision to interpose a filter between the tobacco and his lips, he tends to shop around for a while before settling on a new favorite brand.

Some manufacturers try to keep such a smoker in the family by introducing new filter brands under the same name as earlier leading brands; others try to capitalize on his restlessness by launching new brands under entirely different names. The industry doesn't know yet which way works better.

For example, R. J. Reynolds sells three types of cigarettes under three different names; its regulars Camel and kings (Cavalier) declined, but its filter (Winston) gained. P. Lorillard, on the other hand, puts out all three types under the Old Gold name; it, too, experienced a decline in its regular, little change in its king, and the typical gain in its filter.

Two of the four leading filters (Winston and L & M) are relative newcomers to the market and Marlboro bears its maker's secondary brand name, while Old Gold, a leading brand recently issued in a filter, is down in fifth place. Manufacturers are still studying the question of brand loyalty in filters.

Packaging is under study, too. Philip Morris claims a victory in the battle of brands partly because of the eye-catching package adopted for Marlboro.

• **Plain Kings**—The group of king-sized cigarettes without filters fell 1.7-billion units under 1954, which was a year of gains for this type. It lost 1.3% of the total market. Three big-name kings—American Tobacco's Pall Mall, Liggett & Myers' Chesterfield, and Brown & Williamson's Kool—countered the trend.

The sales record leads the industry to believe that mere king size has little virtue—the smoker who is switching to a longer cigarette seems to prefer a filter, too. Most filter cigarettes are king-sized, but they are grouped under the "filter" heading.

Kings and filters together fell short of taking half the total market as some observers had expected them to. They did climb from last year's 38% to 46%, however. In 1950, they together accounted for only 10%.

• **Regulars**—All brands of regulars shared

BUSINESS WEEK • Dec. 31, 1955



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and 25¢ for the corrosion!"***

Corrosion is never sold over your retailer's counter — but it's paid for there when it makes your goods cost more.

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employees the hospital
care they need!"*

Says **ANSON B. NIXON**, Chairman of the Board, Hercules Powder Company; President of the Board, Wilmington General Hospital.



"Twenty-two years ago Blue Cross was made available to the first group of Hercules Powder Company employees. Today, more than 17,000 Hercules men and women and their dependents, along with thousands of others in the U.S. chemical industry, of which we are a part, are better and more satisfied employees because of Blue Cross."

Blue Cross Plans, serving locally coast to coast, bring Americans this famed program for prepayment of hospital care...the only one officially approved by the American Hospital Association.

AMERICA's pioneer plan for payment of hospital expense was Blue Cross. Today, Blue Cross is still the standard of effectiveness. *Blue Cross is different.* In addition to approval by the American Hospital Association, Blue Cross Plans have a working "partnership" with the hospitals themselves. This makes possible the unique Blue Cross objective: to provide for needed hospital care.

Low in cost. Like the nonprofit voluntary hospitals, Blue Cross Plans are not for profit. They are organized locally by community and hospital leaders. All money paid in, except for low expenses, is set aside to pro-

vide hospital care. Last year, Plans paid \$763,000,000 in benefits.

Flexible to meet management goals. Blue Cross is the perfect foundation for any employee benefit program. It can be easily integrated into any "package" arrangement. And because the employee may keep Blue Cross when he leaves the company, it is a valuable retirement benefit.

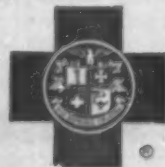
Holds down overhead, speeds service. Everything is handled directly with the hospital by the Blue Cross Plan. Bills clear when a patient leaves, without reimbursement details. Costly clerical work and personnel problems for the employer are avoided.

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TIME, INC.



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25TH ANNIVERSARY YEAR!

"... 'heavier' tobacco is going into some filter cigarettes in an attempt to strengthen flavor..."

FILTERS starts on p. 47

in the sales loss that began in 1953 and continued last year. The 1955 loss amounted to 21.1-billion, a drop of 9.3% from 1954.

Heaviest losses were sustained by Reynolds' Camel and Liggett & Myers' Chesterfield, each with about 6-billion less. Philip Morris dropped 3.8-billion and Lorillard's Old Gold, about 2.8-billion.

• **Company Rivalry**—Among brands of all types, American Tobacco's Pall Mall, a king, nosed out Chesterfield, available in both regular and king, for third place in total sales, but it couldn't quite take second place away from its stablemate, Lucky Strike, as had seemed likely. Reynolds' Camel, the perennial leader, kept top place.

Shifts in sales balanced out to leave the companies' relative positions unchanged (table, page 47). Only two companies increased their percentage of the market, Brown & Williamson by 1.5% and Reynolds by 0.7%.

For most companies, expectations for earnings stay bright, with encouragement from a price increase for kings and lower taxes for some companies:

Company	Earnings Per	Estimated
	Common	Earnings Per
	Share	Common
	1954	1955
American Tobacco	\$6.12	\$7.25
Liggett & Myers	5.30	5.95
R. J. Reynolds	4.19	4.95
P. Lorillard	1.98	1.65
Philip Morris, Inc.	3.58	3.50

• **Exports**—Tax-free sales continued a decline of several years past, dropping 1.2-billion from 1954 figures. The major decline was in shipments to the armed forces, which have slipped 30% since 1952. In the same period, commercial shipments overseas dropped 8%.

Some companies are trying to recapture foreign markets. Philip Morris (Australia) Ltd., for example, has opened a \$4-million plant in Melbourne for export operations in Asia.

• **Leaf Prices**—Reflecting increased consumption in 1955, burley prices in Kentucky markets averaged an all-time high of \$57.78 per 100 lb. This was \$5.24 above average 1954 opening prices. The gain was largely from greater demand for lower grades of leaf; these grades sold as high as \$15 above support price while better grades ran only \$1 or so above supports. According to industry reports, the "heavier" tobacco is going into some filter cigarettes in an attempt to strengthen flavor. **END**



ANSON B. NIXON, Chairman of the Board, Hercules Powder Company, also says—

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Sponsored by doctors in their own local areas... Blue Shield Plans help people meet surgical-medical-maternity expense.

Pays generous, specific sums for hundreds of different operations and for many nonsurgical services, including maternity care. Often the entire doctor bill is paid.

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For full information, contact the local Blue Shield Plan in your own area. Or write Blue Shield Commission, Dept. 703, 425 North Michigan, Chicago 11, Illinois.



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In Production

• • •

Westinghouse Lets GE Move In On Its Circuit Breaker Business

Westinghouse Electric Corp. turned over part of its business last week to its chief competitor, the General Electric Co. Westinghouse amended a long-standing license agreement to allow GE to manufacture Westinghouse-patented circuit breakers for sale to other manufacturers of distribution transformers.

Heretofore, GE's license permitted it to make the item solely for use and sale in GE transformers. Westinghouse said it made the move to protect utility and government customers who had been harmed by the current strike against Westinghouse—through no fault of their own.

The move had extra impact for several reasons. The transformer business is one line in which many people in the trade consider Westinghouse to be the leader. Also, it followed several actions by Westinghouse that were bound to influence public opinion about the strike—including \$100 interest-free loans to all strikers idle for 30 days.

• • •

New British Auto Engine Works on Unorthodox Principle

An announcement from London rocked the automotive world this week. It told of a revolutionary design in internal combustion engines that promises to round out the innovations started by the Ferguson suspension and transmission system announced last month (BW—Dec. 3'55, p. 27). The engine will be unveiled next Wednesday.

Designer Granville Bradshaw, 67, one of Britain's inventive pioneers, claims his engine will produce at least 30% more power for its size than any other engine. He says it can work on any liquid fuel, is air-cooled, has only nine moving parts, and will run 200,000 mi. without requiring an overhaul. It comes in either two-cycle or four-cycle design.

The engine, named the Omega, departs from the principle of pistons going up and down in cylinders. Instead, it has double-ended pistons that oscillate in a 60-degree arc within a doughnut-shaped cylinder. Compression and explosion take place alternately between faces of adjacent pistons.

• • •

Russians Threaten Purge Over Lag in Machine Output

The Russians have decided to do something about the lag in machinery for food processing. Pravda, official

Communist Party newspaper, is blasting the Food Industry Administration of the Ministry of Machinery & Instruments for repeated failure to meet schedules.

Of the 76 models of new machines planned for 1955, only 19 were developed by June. Lack of equipment especially hurt the sugar industry, which reportedly loses thousands of tons of sugar each year from this cause.

Pravda's ax is aimed at Comrade Krikunov, head of the chief administration, and Deputy Minister Pogrebenko, who head the machine branch.

• • •

Radioactive Waste Finds Use In Making Polyethylene Plastic

Britain's atomic engineers say they have found a way to extract radioactive waste products from atomic power plants and to convert them into a form suitable for industrial use.

For example, Caesium 137, one of the waste products, is rated at several million curies of radioactivity a year. Experiments have shown that as little as 100,000 curies will produce 1,000 tons of polyethylene plastic from ethylene gas—the gas is converted into plastic by mere exposure to the radioactivity of the caesium.

Cost of the radiation material in such a process is estimated at about 1½¢ per pound of plastic produced. Experts say that plastics such as methacrylate, styrene, and some of the furanates could be produced similarly.

• • •

New Handbook for Automation Will Require Three Volumes

Ramo-Wooldridge Corp. of Los Angeles is tackling the job of developing a three-volume handbook on automation, as a reference for engineers and businessmen.

The set is designed to give practicing engineers a basic handbook of data and methods, with emphasis on new equipment and techniques. For businessmen, it will be an introduction to ways of applying automation to their problems.

• • •

Production Briefs

An improved technique for making transistors is announced by Westinghouse. Usually, temperatures have to be carefully controlled, else the layer of germanium that is the heart of the device will have the wrong thickness. High temperatures melt away the layer while colder temperatures make it thicker. The Westinghouse process makes use of a cooling period that allows the layer to build up to the required thickness.

Selenium rectifier production will be increased in 1956. This is announced by Radio Receptor Co., Inc., New York, which has developed a new method of electroforming rectifiers. The company is expanding capacity to increase its output by 40%. It is offering distributors 10¢ each for used selenium rectifiers that are returned; the company reclaims the scarce selenium metal.



MORE COPPER IS COMING

Never before has peacetime copper output been so great.

In 1955 alone, free world refined production totalled an estimated 2,732,997 tons. Yet even today's record tonnages will be exceeded as new copper mines swing into full production and existing properties expand operations.

On the African continent, substantially increased production is expected from Bancroft, Chibuluma, and Kilembe.

In South America, expansion at El Teniente, Chuquibambilla and La Africana, has been announced. Under development are Cuajone, Toquepela, Quellaveco, and Indio Muerto.

In the United States (already the world's largest producer), San Manuel, Butte, Tripp, White Pine, Osceola,

and Pima mines are headed for greater output.

Canada will add more production at Gaspé, Campbell Chibougamau and Opemiska. Many new properties are being developed. Substantial future output is expected from Brunswick, Geco, Grandue and Canam, to mention only a few of these new projects.

The copper industry has the capacity to produce copper faster than ever.

From known deposits . . . from mines now under development and from ore bodies now being explored . . . more copper is on the way. For particulars, write today to Copper and Brass Research Association, 420 Lexington Avenue, New York 17, New York.



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How we work steel to make steel work for you



There's something personal we put into the life of every motor we build

Pictured above is one of the skilled specialists who build integral hp motors at A. O. Smith. Each of these men is proud of his work . . . proud that he is personally responsible for complete assembly of every motor he builds. This pride is an invisible part of every A. O. Smith electric motor . . . assuring tireless dependability to original manufacturers and ultimate users of powered equipment.

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sign is our standard. Torque, speed and horsepower are precisely matched to your needs.

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It's good business to depend on A. O. Smith manpower for electric motors ($\frac{1}{8}$ to 150 hp). Write for free, illustrated brochure that shows our complete facilities and unique approach to quality motor manufacture . . . one of the many ways we work steel to make steel work for you.

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with steel makes products
like these for home,
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and Burkay water heaters

Permaglas
home heating and
cooling systems



Glass-lined and
stainless tanks

Glassco
processing equipment



Vertical
turbine pumps

Line pipe,
oil well casing



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for the farm
Permaglas Storage Units
for industry

Pressure vessels,
heat exchangers,
glass-lined smoke stacks



Gasoline dispensers,
liquid motors

Welding machines,
electrodes, accessories



Electric motors

Automobile
frames

Tally on Industrial Research

National Science Foundation report gives first nationwide picture of research and development spending by industry.

It has long been a sacred truth that the expansion of the U.S. economy depends greatly on new scientific discoveries and their applications within industry. Also, it has been quite evident that scientific research has experienced a tremendous growth over the past 15 years.

But little has been known of the dimensions of research programs. About a year ago, the U. S. Dept. of Labor's Bureau of Labor Statistics made a survey of industrial research for the National Science Foundation. Its aim: to put together, for the first time, a nationwide statistical picture of scientific research and development.

Last week, a preliminary report (Science and Engineering in American Industry) was published by the National Science Foundation (BW-Dec. 24 '55, p58).

• **Total Outlay**—Packed within the 41-page report is information that industry has been able to do no more than guess at in the past. Probably the most significant piece of information to come from the survey concerns the total cost of research and development to private industry. In 1953, which is the latest year for which figures are available, private industry spent \$3.7-billion for research and development in the natural sciences and engineering. This represents about two-thirds of all the research and development work that was done in the U. S. in 1953. The other one-third, which boosts the total cost to more than \$5-billion, was done by educational institutions, government agencies, and other types of organizations. Of the research and development work that was conducted by private industry, more than one-third of it was done for the federal government.

• **The Leaders**—The electrical equipment industry and the aircraft industry lead all others in the scale of their research and development programs.

But in basic research, which the National Science Foundation defines as projects that are not identified with specific products or process applications, the chemical industry far surpassed all other industries in dollars spent. Basic research cost near \$150-million in 1953, or 4% of the total cost of industrial research and development. The chemical industry accounted for \$38-million of that.

• **Numbers**—In this survey, BLS counted up about 554,000 engineers and scientists. About 30% of these—some

157,000—were engaged in research and development activities. About 45% of the chemists were employed in research and development. The professions with the highest proportions of its members doing research and development work were the physicists and the biological scientists, each with 60%.

• **Who Spends What**—The National Science Foundation says that more than 15,000 companies are contributing to the nation's research and development effort. Of these, about 13,000 have less than 500 employees. NSF says that the survey indicates that many more small companies are conducting research and development than was suggested by any previous study.

But the bulk of research and development work—when measured in dollars—is carried on by a relatively small group of companies. The 375 largest companies included in the survey performed about 70% of the nation's research and development.

The two leaders, the electrical equipment and aircraft industries, spent \$788-million and \$758-million respectively in 1953. Next in line were automotive, chemical, machinery, profession and scientific instruments, petroleum, telecommunications, and fabricated metal products. Together, these nine industry groups accounted for about nine-tenths of the estimated total cost of industrial research and development.

• **Where Engineers Work**—The metal-working industries employ more than half of the 409,000 engineers that were covered by the BLS survey. Over a third of these were in three industries: machinery, electrical equipment, and aircraft—all in metalworking.

Several nonmanufacturing industries—transportation, public utilities, telecommunications, construction—also use many engineers. According to NSF, each employed between 25,000 and 30,000 last year.

The chemical industry employed slightly more than 25,000 engineers at the time of the survey; the petroleum industry employed 23,000.

• **Omissions**—A few branches of private industry were excluded from the survey because their spending on research and development is extremely small. NSF says that the most important of the excluded groups, in terms of scientific and engineering research, are trade associations, commercial laboratories, scientific and engineering consulting firms, and self-employed persons. **END**



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Our mailman, often brings us letters from people who ask: *Have you a picture of the Hartford Stag that you can send me?*

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Would you like one, too? We'll be happy to send it to you. Just write "Hartford Stag picture" on a 2¢ postal, print your name and address and mail to Hartford Fire Insurance Company, Hartford 15, Conn., Dept. B. *Year In and Year Out You'll Do Well with the*

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Hartford 15, Connecticut
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Insurance Company
Twin City Fire Insurance Company
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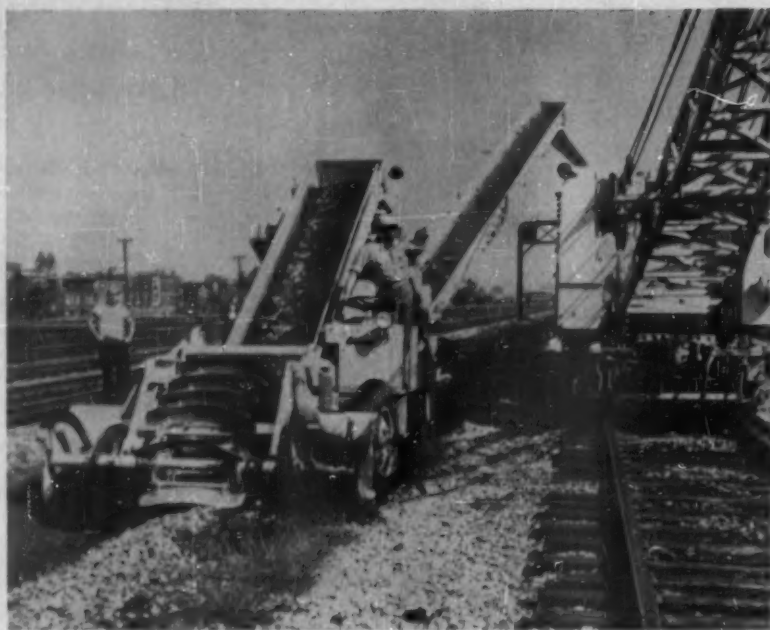
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NEW PRODUCTS



Hefty Section "Gang" for the Railroad

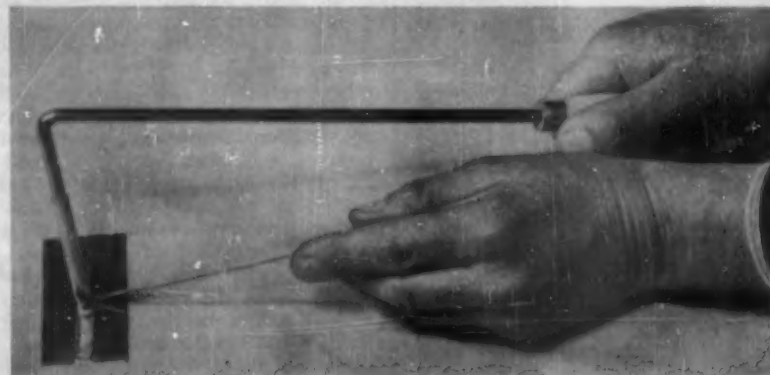
Ballast from old railroad beds can be put to use again quickly with this machine.

It reclaims ballast at the rate of 140 tons an hour. It's said to enable railroads to save more than \$1 a ton over the cost of new ballast.

A feeder at the front of the machine

carries ballast from the rail bed to a loading belt. Dirt and useless stones are dumped through a shaker screen. Then a conveyor belt loads the ballast into railroad cars.

♦ Source: Athey Products Corp., Chicago, Ill.



The Answer to a Long Search?

This simple hand-soldering tool could be the answer to years of research. It has been developed for the fluxless soldering of aluminum with any normal solder. Fabricators have long sought a method of making corrosion-resistant joints in high strength aluminum alloys without weakening the alloys.

In this method, developed by Tilt-

man Langley, Ltd., you first apply the solder, then use a brush with fiberglass filaments to brush the heated surface. The brush rubs the aluminum oxide through the solder and this provides a firm joint.

♦ Source: Sidney-Barton, Ltd., 15-25 Breems Buildings, London, England.

ANACONDA ALUMINUM

Now Anaconda is pouring aluminum—120,000,000 pounds a year

EXPANDING USES for aluminum have kept demand above supply. That is why Anaconda, producer of many nonferrous metals, became—on August 15—a major producer of primary aluminum.

Already the first ingots have been poured in Anaconda's new plant at Columbia Falls, Montana. Soon production will hit an annual rate of 120,000,000 pounds.

ANACONDA'S CONTRIBUTION: Anaconda approached aluminum with the thoroughness and imagination that brought it leadership in copper.

Anaconda metallurgists and pro-

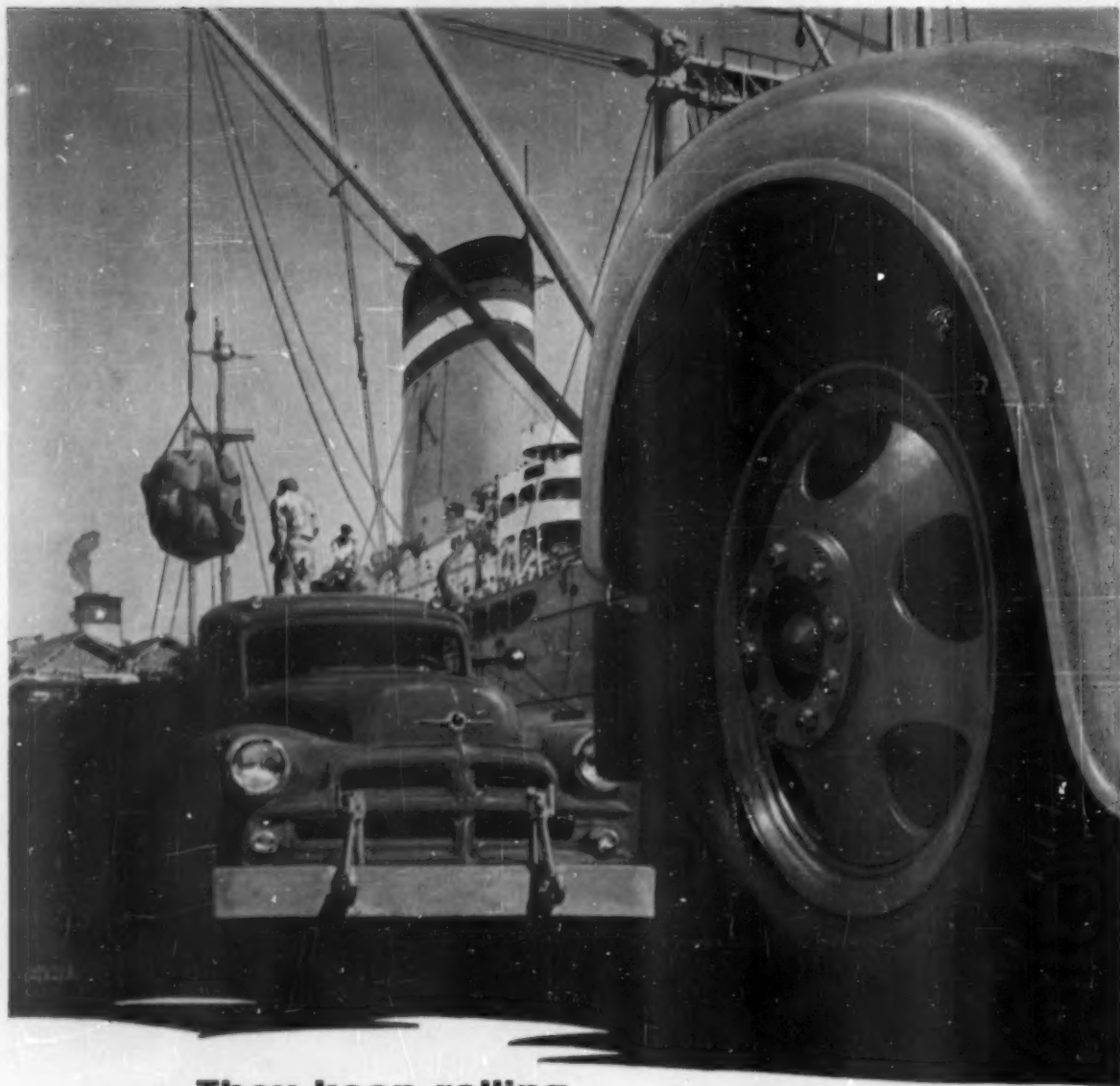
duction experts scoured the world for advanced manufacturing techniques. As a result, the great new plant near Hungry Horse Dam is turning out commercial aluminum of the finest grade at a new low rate of power consumption.

WHERE WILL THE METAL GO? Part will go to the Anaconda Wire & Cable Company, already in production with a broad line of aluminum wire and cable for electrical purposes. Five strategically located mills make it available on a nationwide basis. Some will go to Anaconda's other subsidiary,

The American Brass Company, to become strips, sheets, tubes, rods, special shapes for industry. A big share will be sold to other manufacturers.

In aluminum, Anaconda follows the traditions of quality and service established in copper and its alloys for over 60 years. Whatever your problem in nonferrous metals, the *Man from Anaconda* can help you. See him soon. The Anaconda Company, 25 Broadway, New York 4, N.Y.

ANACONDA®



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on wheels by Kelsey-Hayes**

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

DEC. 31, 1955



The nuclear armaments race between the U.S. and Russia will get hotter in 1956.

So will the disarmament race—between U.S. efforts to get agreement on foolproof nuclear controls and Soviet moves to stymie these but still maintain a peace initiative.

This is the paradox the world faces in the New Year.

At-atomic power now gets the main stress in the U.S. defense program. Since our security hinges on it, that's where the priorities will go in next year's defense budget.

On the other hand, Pres. Eisenhower can be expected to follow up the lead he took last summer with his aerial inspection plan. Already this has top place in United Nations disarmament discussions. The Pope has just thrown his weight into the scales by calling for a renewed effort to reach an East-West agreement.

The President may well try to give his proposal another push in his State of the Union message.

There will be no letup in the Soviet drive to surpass the U.S. in nuclear weapons and the means to deliver them.

True, the Bulganin-Khrushchev regime has just announced an 8.5% cut in its defense budget for calendar 1956. And no doubt the Russians are cutting their spending on conventional forces and arms.

But examine the budget figures and the speech of Finance Minister Arseny Zverev and you find that total defense outlays will be as big or bigger than those for 1955.

Soviet outlays for heavy industry are to keep going up—another indication that the Kremlin means to continue the arms race.

The Kremlin is merely using what amounts to a phoney defense cut to (1) impress the world with its peaceful intentions; and (2) cover up its real purpose—sabotage of any effective control and reduction of nuclear armaments.

The British aren't wasting any time meeting the Russian challenge in India. Three developments tell the story:

- No sooner had Bulganin and Khrushchev left India than London signed a long-term atomic energy agreement with New Delhi. Under the agreement the British are to build a research reactor for India (Canada also is building the Indians a reactor) and to supply atomic fuel.

- Associated Electrical Industries, Ltd. has just signed a 15-year contract with the Indian government. AEI will act as engineering consultant for a \$56-million electrical equipment plant the government is building under the new five-year plan.

- A consortium of British firms expects to close a deal soon to finance and build the Indian government a 1-million-ton-a-year steel plant. The Czechs have tried to cut in on this business, but London thinks the British firms have the inside track.

Western controls over trade with Red China may be relaxed soon.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

DEC. 31, 1955

Our NATO allies want to apply the same embargo list to Red China as they now use for Russia and its European satellites. They don't see any sense in the present distinction.

The whole question is due for an airing before the Consultative Group—a body that coordinates trade controls for the Western Alliance. A meeting had been slated for late 1955 but was postponed when the Geneva conference of foreign ministers flopped so badly.

The U. S. is not likely to change its trade policy. (We now have a complete embargo on trade with Red China.) But the chances are that Washington will consent—under pressure—to having Britain, Western Europe, and Japan trade more freely with the Chinese Communists.

Algeria will be the first order of business for the government that emerges from next Monday's elections in France.

Unless Paris can find an Algerian solution soon, France will face the same kind of situation the British have faced in Malaya for the past eight years. Today there are 200,000 French troops in Algeria. But they haven't been able to check growing terrorism by some 5,000 to 10,000 Fellagah.

There are differences between Algeria and Malaya, of course. For one thing the French are dealing with Moslem fanatics who have strong popular backing—and not with Communist rebels relying largely on outside help. Then, the French don't have big revenues from rubber and tin to sustain their military effort.

Add it up, and you have the makings of a catastrophe for France.

Washington worries about events in Argentina—especially this week's seizure of the Argentine assets of Henry J. Kaiser and Williams Chemical Co., two U. S. outfits that had close dealings with the Peron regime.

It's all part of the Aramburu government's attempt to confiscate "ill-gotten gains" of Peronism. All told, some 600 persons, 169 companies (quite a few of them European) have been ordered to "justify their riches" or be expropriated.

Washington takes it for granted that the U. S. companies, as well as some other foreign corporations, will regain their assets.

That's not what worries the experts. Their real worry is that the asset-freeze, and the way it's handled, indicates confusion, and lack of confidence within the revolutionary government (BW—Dec. 24 '55, p. 70). That, plus reports of rising political unrest, seems to make the Buenos Aires regime a dubious candidate today for U. S. aid. (The U. S., remember, has said right along that it stands ready to help, once stability returns.)

Moreover, the mere word "confiscation" can scare off foreign investment for years, regardless of the merits of the case. And Argentina needs investment badly.



Sylvania's new St. Marys incandescent lamp plant was "all dressed up" to receive visitors at the recent dedication. Nearly 1,000 persons attended ceremonies.



Operations in new St. Marys plant were started by means of atomic energy. Here Frank J. Healy, a Sylvania Director and Vice President-Operations in

charge of the Lighting Division, brings radiation detector near atomic fuel to close electric circuit and start lampmaking machines.

Fastest growing name in sight!

"The most modern incandescent lamp plant in the world"—this description fits the new facility which Sylvania has just completed in St. Marys, Pa. Containing the latest production and materials-handling equipment, this highly mechanized plant symbolizes Sylvania's rapid rise in the lighting industry.

This growth results from the determination of Sylvania's entire organization to take advantage of expanding opportunities in the electrical industry. Witness the recent national introduction of "Softlight," a new concept in lighting by Sylvania's Lighting Division. This new incandescent lamp, the most important advance in home lighting in years, provides a soft, glareless "quality" light. It

has set a new trend in the lighting industry—a reason why Sylvania is described as *"The fastest growing name in sight."*

The St. Marys plant is evidence that Sylvania will continue its growth, to meet the expanding opportunities of tomorrow. Throughout the fields of lighting, television, radio, electronics, atomic energy, and advanced research, Sylvania is preparing to meet future needs—in the home, in commerce and industry, in the armed services.

• • •

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LIGHTING • RADIO • ELECTRONICS • TELEVISION • ATOMIC ENERGY

Higher Wages, Fewer Strikes

● In an election year, unions will sidestep strikes big enough to arouse public reaction against labor.

● With the boom riding high, management will try to avoid any interruption in production—even at a price.

● Only cloud on the horizon is the upcoming renegotiation of the Steelworkers' contract.

All signs point to a costly but peaceful new year for management's bargaining with its unions. As in 1955, settlements probably will show big wage increases—perhaps close to this year's average of about 12¢ an hour—and additional big fringes. A few big strikes will make headlines, but otherwise the prospect is for another unusually quiet year.

There are two important reasons for this outlook. Politically conscious unions will bend over backward in a Presidential election year to avoid any strikes big enough to stir public reaction against labor. And 1956 is opening up with a continuing business boom calculated to carry through the first six months; uninterrupted production, even at a cost, will be a goal of key industries.

The year's most important bargaining is expected in basic steel, where the entire contract is up for renegotiation. But such long-depressed industries as textiles are beginning to move ahead, and hard bargaining by raise-hungry unions may bring settlements that will lift 1956 raise averages.

• **Forecast**—Generally, here is the outlook:

• **First and second-quarter company profit statements** will be sizable. Aircraft and steel contracts, the most important ones of the first half-year, will be based on these statements, even though some union economists are predicting a leveling off of the economy in the last six months of 1956.

• **While some labor leaders** are wary of pushing too far in the face of last year's substantial economic gains, the pressure on most negotiators will be too strong to avoid large demands. The unionists' share-the-prosperity philosophy will prevail. Deferred wage increases from last year's bargaining—from 4½¢ to 10¢ an hour payable in 1956—will help keep the pressure on in industries where wage increases must be negotiated.

• **Trouble, if it comes,** will probably be less over the total cost of the

contract package than over how the cost will be divided—that is, over how much of it will go into fringes.

• **Soft Spot**—Trouble over the package division is particularly likely in the steel industry, where bargaining will have the greatest effect on the whole economy.

The giant United Steelworkers, headed by David J. McDonald, won't lay its demands on the table until April. However, it is already committed to negotiations for another pay boost from the booming steel industry, a shorter work week, and a "real" guaranteed annual wage. Moreover, it wants a full union shop to match that negotiated by the United Auto Workers and General Motors and other auto employers in 1955.

Steel companies may be willing to pay well for continued production. At the same time, they are likely to be reluctant to put any part of their settlement money into any kind of guaranteed annual wage. Such a plan demands at least a reasonable chance that production can be spread out to stabilize employment, and the steel industry insists this isn't feasible.

• **Setting the Pattern**—Last year, McDonald's good relations with the steel industry brought a substantial 15¢ raise in a wage reopening. This time, if there is a breakthrough, it is likely to be on terms similar to those USW negotiated with the can industry in 1955—a 52-week supplementary unemployment benefits plan paying more than UAW's 26-week plan. It's McDonald's minimum objective for 1956.

Whatever basic steel settles for will become a pattern to be pressed by USW at other steel bargaining tables. The SUB plan won by the auto union has now been extended to almost 100 auto and auto parts contracts. Whatever is won by USW in basic steel will probably be extended during 1956 to another 100 or so steel employers.

• **Built-In Pressure**—Other industries, such as aircraft, shipbuilding, trucking,

and oil, may not have to fight hard to avoid SUB plans—if they face the demands at all—but there's a built-in pressure from wage and fringe contracts signed last year.

Without bargaining, coal miners will get an 80¢-a-day pay boost on Apr. 1. Auto workers are assured a minimum 6¢ hourly increase at midyear. Some construction wages will advance by between 5¢ and 15¢ during the next 12 months. In addition, should living costs climb, millions of workers will collect cost-of-living payments.




Besides wages, the pressure for fringe gains through more complete health and welfare coverage will be a big item. Many unions, probably steel included, will go after an insurance plan that covers long-term or "catastrophe" illness—helped in bargaining by a plan already established by General Electric.

• **Outside Influences**—Except for political considerations, outside influences on bargaining are expected to be small. There's no important labor legislation up before Congress that will affect the picture, and the Eisenhower Administration will continue to avoid taking part in disputes. In recent months, both labor and management groups have tried to get their cases to Washington, but federal mediators are doing all their work in the field under orders to keep them away from government headquarters.

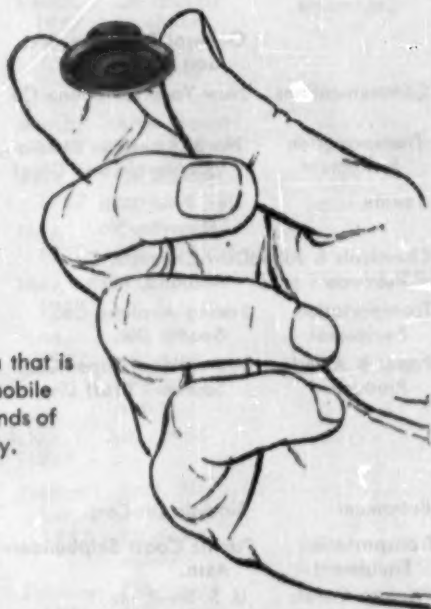
The AFL-CIO merger is too new to have much influence on the bargaining scene. The immediate merger of AFL and CIO unions in the meat industry will mean a combined negotiating drive, but other mergers will be slow in coming. Meanwhile, there's a counter force at work: Some union officials who are wary of criticism of AFL-CIO "monopoly" may be more cautious in bargaining to avoid any threat of a government crackdown.

• **Deviations**—There may be several deviations from 1955 bargaining this year. New fringes, such as SUB in 1955, are unlikely. True, unions are talking of a shorter work week, but a breakthrough would probably have to come from the Steelworkers. The industry insists a shorter week would be economically unfeasible, and USW—with other big issues pending—is likely to table this one in order to avoid a fight over principles.

One 1955 surprise was the spate of long-term contracts. More than half the major contracts opening up this year are open on wages only (table, page 64). **END**

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Bargaining Dates for 1956

A few will set patterns

Industry	Company or Association	Union	Employees	Expiration Date	Wage Re-opening	Deferred Wage Increases
Communications	New England Tel. & Tel.	Independent	19,500	January	.....	.....
Transportation Equipment	Douglas Aircraft Co., Calif.	Machinists	34,000	March	.....	Quarterly cost-of-living payments, starting Feb.
		Auto Workers	17,500	March	.....
	General Dynamics, Inc. San Diego	Machinists	15,100	March	.....
Communications	New York Telephone Co.	Independent	18,200	March	.....	.....
Transportation Equipment	North American Aviation, Inc. (California and Ohio)	Auto Workers	32,800	March		Quarterly cost-of-living payments, starting Jan.
Textile	Dan River Mills Danville, Va.	Textile workers	10,000	April	.....	.....
Chemicals & Allied Products	Dow Chemical Co. Midland, Mich.	District 50	6,400	April	.....	.....
Transportation Equipment	Boeing Airplane Co., Seattle Div.	Machinists	22,000	May	.....	.....
Paper & Allied Products	International Paper Co., Southern Kraft Div.	Paperworkers Pulp Sulphide Workers Bro. of Electrical Workers	11,800	May	On 30 days notice.	.....
Petroleum	Sinclair Oil Corp.	Oil, Chemical	9,000	June	.....	.....
Transportation Equipment	Pacific Coast Shipbuilders Assn.	Metal Trades Dept.	14,000	June	.....	.....
Primary Metals	U. S. Steel, etc.	Steelworkers	350,000	June	.....	.....
Transportation Equipment	Bethlehem Steel Corp., Shipbuilding Div.	Marine & Shipbuilding	12,000	July	.....	.....
Mining	Bituminous Coal Operators Assn.	United Mine Workers	200,000	August	.....	80¢ per day on April 1
Primary Metals	Kennecott Copper Corp.	Mine-Mill	11,000	August 1956	.....	.....
Food	Armour & Co.	Packinghouse Workers	25,000	August	Before March 1, 1956, and once from March 1 to Sept. 1, 1956, on 60-day notice	.....
	Swift & Co.	Meat Cutters	6,000	August	Same as above on 15-day notice	.....
Rubber	Firestone Tire & Rubber Co.	Rubber Workers	22,000	October	On 60-day notice	.....
Communications	New Jersey Bell Telephone Co.	Communications Workers	10,000	November	.....	.....
Railroads	Class I Railroads	Four operating brotherhoods	300,000	Open end	On 30-day notice	.....
	Class I Railroads	15 non-operating unions	825,000	Open end	On 30-day notice	.....
	Railway Express Agency	Railway Clerks	36,000	Open end	On 30-day notice	.....

Industry	Company or Association	Union	Employees	Expiration Date	Wage Re-opening	Deferred Wage Increases
Rubber	Goodyear Tire & Rubber Co.	Rubber Workers	24,000	February, 1957	On 60-day notice	.....
Petroleum	Atlantic Refining Co.	Independent	11,000	March, 1957	On written notice	.....
Rubber	B. F. Goodrich Co.	Rubber Workers	15,000	March, 1957	On 60-day notice	.....
Glass	Owens-Illinois Glass Co.	Glass Bottle Blowers	10,000	March, 1957	On request by either side after March 1, 1956	.....
Transportation Equipment	Lockheed Aircraft Corp., Marietta, Ga.	Machinists	12,000	March, 1957	After March 31, 1956	.....
Rubber	U. S. Rubber Co.	Rubber Workers	35,000	April, 1957	On 60-day notice	.....
Apparel	Clothing Manufacturers Assn.	Clothing Workers	150,000	May, 1957	On or before Feb. 1, 1956	.....
Scientific Instruments	Sperry Corp.	Electrical Workers	12,000	May, 1957	.....	5.3¢ May 23, 1956
Primary Metals	Aluminum Co. of America	Aluminum Workers	110,000	June, 1957	July 31, 1956, on 60-day notice	.....
Chemicals & Allied Products	American Viscose Corp.	Textile Workers	11,000	July, 1957	July, 1956	.....
Fabricated Metal Products	American Can Co.	Steelworkers	20,000	Septem- ber, 1957	Sept. 30, 1956, on 60-day notice	.....
Transportation Equipment	Republic Aviation Co.	Machinists	15,000	February, 1958	February, 1956, on 30-day notice	.....
	Chrysler Corp.	Auto Workers	9,000	May, 1958	.....	C-of-L and 2½% or 6¢ minimum, April 1, 1956
	General Motors Corp.	Auto Workers	375,000	May, 1958	.....	C-of-L and 2½% or 6¢ minimum, May 29, 1956
	Ford Motor Co.	Auto Workers	140,000	June, 1958	.....	C-of-L and 2½% or 6¢ minimum, June 1, 1956
Transportation	Atlantic and Gulf Tankers	Maritime	7,500	June, 1958	After June 1, 1956, on 60-day notice	.....
Machinery	Automotive Tool & Die Mfrs.	Auto Workers	6,000	June, 1958	.....	C-of-L raises plus 6¢-7¢ effective June 1, 1956
	National Cash Register Co.	Independent	10,000	June, 1958	.....	C-of-L plus 2½% or 6¢ minimum on May 29, 1956
	International Harvester Co.	Auto Workers	40,000	July, 1958	.....	Same as above, effec- tive Aug. 23, 1956
Transportation Equipment	Bendix Aviation Corp.	Auto Workers	21,000	August, 1958	.....	C-of-L raises plus 2½% or 6¢ Sept. 1, 1956
Transportation Equipment	Studebaker-Packard Corp.	Auto Workers	9,000	August, 1958	.....	2½% or 6¢ in August, 1956
Glass	Libby-Owens-Ford Co.	Glass Workers	10,000	Sept., 1958	.....	5¢ Sept. 25, 1956
	Pittsburgh Plate Glass Co.	Glass Workers	12,000	Sept., '58	.....	5¢ Sept. 25, 1956
Electrical Machinery	General Electric Corp.	Electrical Workers	83,000	October, 1960	C-of-L starting January, 1956, and 3% or 4½¢ minimum on Sept. 15,

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In Labor

Unity Puts New Power Into Meany's Voice

Is George Meany, AFL-CIO president, taking a firmer, more assured public stand on policy questions? On the basis of two speeches Meany has made in the last few weeks, some observers believe his voice sounds stronger as a single spokesman of major organized labor.

In one speech, Meany pummeled American liberals, Marshal Tito of Yugoslavia, and Prime Minister Nehru of India (in the presence of a high Indian labor official) for their stands on Communism. Later, he threw his support behind a plan to use union pension and welfare money to help New York City build middle-income housing.

Walter Reuther, as head of both CIO and UAW, has long advocated use of welfare funds for building low-cost housing. Several AFL unions have already done this. But Meany's statement is the most substantial AFL-CIO indication of a policy of welfare fund investment in social betterment projects. While Meany controls no such funds, his feelings, of course, carry weight with AFL-CIO unions.

Pre-Christmas Profanities Keep Westinghouse Strikebound

At midweek, the Westinghouse strike continued into its eleventh week with the parties still apparently far apart. Pre-Christmas negotiations ended on a bizarre note: The company refused to stay and be "profaned" by union bargainiers. Last week, less than half of the 70,000 employees eligible to collect \$100 Christmas loans from the company filed through the picket lines to accept the company's offer. Both strikers and those laid off because of the strike could have collected the \$100 loans.

Meanwhile, United Electrical Workers, one of the striking unions, ran into trouble on another front. Atty. Gen. Herbert Brownell last week asked the Subversive Activities Control Board to declare UE a Communist-infiltrated union. Such a citation would cost UE its right to National Labor Relations Board procedures. U. S. Court of Appeals in Chicago has already held that UE is not entitled to these rights (BW-Nov.26'55,p172).

Labor Briefs

Non-operating railroad workers get a 14½¢ an hour increase, retroactive to Dec. 1. Carriers and 11 railway brotherhoods, following recommendations of a Presidential fact-finding board (BW-Dec.17'55,p150), signed the agreement covering 750,000 workers. The carriers also will pay costs of health and welfare plans, now jointly financed—a cost set by fact-finders at 2¢ an hour. At the same time, railway conductors and brakemen were granted an increase of 10½¢ an hour retroactive to Oct. 1.

Studebaker-Packard Corp. and UAW ended a series of contract extensions by signing an agreement last week covering around 9,000 Studebaker workers. A joint statement by the parties said

that terms agreed upon will make the new pact "competitive to the large producers in the industry."

Independent unions last week announced "complete agreement" on plans for merging into a new federation, in which 2,500 independents—mostly single locals—would be guaranteed autonomy. A founding convention will be held in May. The defensive move against AFL-CIO (BW-Oct.29'55,p158) would bring together unions with 6-million members, advocates say; the actual figure probably will be considerably smaller.

In Canada, the United Mine Workers have just been ousted from the Canadian Congress of Labor for nonpayment of dues for almost a year. Reportedly, UMW held up payments because (1) it objected to the merger of Canadian counterparts of AFL and CIO—UMW feels it was snubbed in the merger in the U.S.—and (2) it contends its District 50—dubbed a "raider" in Canada—has been denied "adequate support" from CCL in organizing activities.

Cost of Living: What's Happening to It

	Total Cost of Living	1947-49 = 100			
		Food	Clothing	Housing	
				Total	Rent Only
November, 1948	103.5	102.7	105.3	103.4	102.3
November, 1949	101.6	99.4	97.4	103.9	106.6
November, 1950	105.5	104.4	101.6	108.8	110.0
November, 1951	112.6	114.6	108.5	113.7	115.4
November, 1952	114.3	115.0	105.2	115.7	119.5
November, 1953	115.0	112.0	105.5	118.9	127.3
November, 1954	114.6	111.1	104.6	119.5	129.2
December	114.3	110.4	104.3	119.7	129.4
January, 1955	114.3	110.6	103.3	119.6	129.5
February	114.3	110.8	103.4	119.6	129.7
March	114.3	110.8	103.2	119.6	130.0
April	114.2	111.2	103.1	119.5	129.9
May	114.2	111.1	103.3	119.4	130.3
June	114.4	111.3	103.2	119.7	130.4
July	114.7	112.1	103.2	119.9	130.4
August	114.5	111.2	103.4	120.0	130.5
September	114.9	111.6	104.6	120.4	130.5
October	114.9	110.8	104.6	120.8	130.8
Nov., 1955	115.0	109.8	104.7	120.9	130.9

Data: Dept. of Labor, Bureau of Labor Statistics.

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Clothes and Housing Inch Up

After a two-month standstill, the Bureau of Labor Statistics' cost-of-living index at mid-November inched upward .1% to 115.0% of 1947-49 living costs. Almost no "escalator" wage contracts are based on the November figure.

All categories except food prices increased over October. The food index, dropping sharply, stands at 109.8%—5.8% below the August, 1952, high.

But the decline in food costs wasn't enough to offset climbs in clothing, housing, and transportation prices. Clothing costs, climbing most of the year, reached a level of 104.7%. Hous-

ing and rent indexes continued their steady rise—housing going to 120.9% and rent to 130.9%.

BLS expects little change in prices during the next few months.

• **Pay, Too**—Take-home pay of factory workers continued to rise, setting new records. In November, an average factory worker with three dependents took home \$72.85, while the worker with no family got \$65.49. These figures are up about 80¢ from October, previously the record month. BLS reports this rise is due to a 2¢ hike in average hourly pay and a longer work week.

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GOVERNMENT

LOOKING AHEAD 1956

More Spending Ahead

- That's the election-year strategy of both political parties.
- It means more for construction, for military stuff, for farmers, for distressed areas and people.
- But the spenders are still keeping an eye on the chances of a midyear tax cut, too.

Leaders of both political parties have decided that the way to win next year's elections is to spend more money. The amounts differ, and the ways the two parties would like to spend the increases vary somewhat, but the impact is the same: More federal dollars will be pumped into the economy.

Congress is meeting next week in a spending mood, and the Eisenhower Administration will try to control and direct the spending, instead of trying to halt it. The increases will add up to around \$1.5-billion or \$2-billion.

If the current prosperity is maintained, revenues will go up, too. Already a cash surplus of some \$3-billion is predicted for the current fiscal year. This would put the so-called administrative budget not only in balance but about \$1.3-billion on the black side of the ledger.

• **The Feel of a Year**—The income-outgo situation pretty much epitomizes Washington serenity about 1956. There will be election-year controversies over military and foreign policy and the nature of the services that the government should provide the constituency. But the disagreements will be largely nothing but fireworks.

Renewed investigations of Detroit's relations with auto dealers will make headlines, and Democrats will continue sniping at the Administration's relations with business. The antitrust bloc in Congress, led by Rep. Emanuel Celler and Sen. Harley M. Kilgore, is planning new attacks on the Justice Dept. and Federal Trade Commission for alleged lack of enthusiasm in stamping out monopoly.

But these are standard political pyrotechnics, not to be confused with the real significance of the Administration's spending policies.

• **Chief Gains**—Biggest direct gainers from the stepped-up spending programs will be the construction and electronics industries. But before the next federal budget takes its final form about July 1, additional spending money is likely to be on its way to farmers' pockets, dis-

tressed areas will be offered special federal aid, and almost every line of business in the country will feel at least an indirect effect.

• **Military Budget**—The separate increases will not be large, except for arms. The Pentagon will ask Congress to increase its budget by about \$1-billion for the next fiscal year. The greater part of this will be spent for a larger guided missiles program; the balance will be used to meet the rising cost of established weapons.

This recommendation will cut the ground from under Democrats who plan to attack the Administration for holding down on military spending. Thus, it will have some political impact. But both parties agree that the increase is dictated by military realities—mostly the rise of Soviet arms production—and by the growing toughness of Russian policy.

Foreign aid—both military and economic—will get a \$200-million boost if Congress accepts the Administration's budget recommendation. The political firing from anti-aid spokesmen in both parties will be heavy, but Congress is likely to approve the money in the long run.

• **Help for Construction**—Federal money for more construction will come from a wide assortment of programs—the kind that congressmen like to push in an election year—encouraged in many cases by Administration recommendations.

Federal funds for roads are likely to rise by \$250-million or \$500-million, if the highway expansion favored by Pres. Eisenhower is approved by the lawmakers. The present law granting highway funds to states expires next year. This will be extended, and the grants increased from the present \$875-million to at least \$1-billion a year, even if the Eisenhower program gets sidetracked in Congress.

Money for dams is increasing, too. The \$760-million Upper Colorado project is likely to be approved now that the chief point of controversy—the Echo

Park storage dam—has been dropped. New England will get some new flood control dams. Army Engineers and the Reclamation Bureau are preparing a bundle of projects for Congressional approval.

Federal aid for schools remains the hottest construction issue. The Administration is expected to recommend substantial outlays, but the integration issue in the South may block Congressional action.

Airways improvement is down for an increase. Secy. of Commerce Sinclair Weeks is ready to ask Congress for \$55-million, compared with \$18.6-million this fiscal year.

• **Farm Aid**—Outside the military, the biggest single budget increase is likely to be for farmers. There is little tendency in either party to question the political necessity of doing something to increase agricultural income next year.

The Administration is convinced, however, that the worst of the farmers' troubles are already over. It will try to hold down the cost of any program adopted this year. Even so, some sort of plan that would cost up to \$500-million may be recommended by Eisenhower; part of this outlay may be assigned to fiscal 1957 and some to the following year.

• **For the Distressed**—A "domestic Point 4" program to aid distressed areas was announced several months ago as part of the Administration's plans to keep the economy expanding. This will probably be in the form of grants to state or local governments. The dollar outlay will not be large in the next fiscal year, but it is counted on to stimulate business in areas where unemployment is still a problem, such as the Pennsylvania anthracite area, soft coal districts in West Virginia and southern Illinois, and New England textile towns.

Welfare programs are going to get more money. Secy. Marion B. Folsom has already announced plans to increase federal money for medical research by around \$20-million (BW—Dec. 24 '55, p. 6). Smaller increases will be asked for other programs.

• **Tax Prospects**—Against these plans to increase spending, there is one powerful check—the hope of a tax cut about midyear if the lawmakers can restrain themselves on the spending side. Optimists hope spending will be held to a rise of about \$1.5-billion and that increased revenues from the boom will allow a tax reduction, too.

The prospect of increasing spending to please voters on the one hand, and cutting their taxes at the same time, is one that warms the heart of all lawmakers. It will restrain some of the spenders when the appropriation bills begin to work their way through the legislative mill next year. **END**



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• • •

Air Force Changes Procurement To Fit In With Mid-Range Plan

With Defense Dept. approval, the Air Force this week announced a new "Industrial Production Readiness Policy" in line with the Pentagon's Joint Mid-Range Strategic Plan (BW—Dec. 3'55,p30).

The new plan stresses industrial preparedness for a quick nuclear war, but it also allows for faster production in a limited, Korea-type war. It reflects Pentagon thinking that, in either case, speed would be paramount in an industrial buildup at the start of war. Thus, components on hand at the assembly plant are valued more highly than simply the productive capacity that previous mobilization thinking emphasized.

Separate programs deal with producers of strategic and air defense weapons (needed for a nuclear war) and producers of tactical and support weapons (for a limited war). The general idea is the same, though. Either way, the prime contractors and principal subcontractors will be told to buy components, subassemblies, materials, and equipment in advance of current schedules.

This offers two advantages. For the maker of strategic weapons, it assures a supply of components even if his suppliers should be wiped out by a surprise attack. For the maker of tactical weapons, it may cut the time needed to get accelerated output from a year or more to, say, four months.

Air Force officials emphasize that, for a while at least, only a handful of plants will begin stockpiling parts and materials.

• • •

Congress to Go Industrywide In Study of Auto Dealer Relations

Starting in mid-January, the automobile industry as a whole gets from Congress a dose of what General Motors alone went through only a few weeks back (BW—Dec. 10'55,p25).

This time it will be a Senate Commerce subcommittee, headed by Sen. Mike Monroney (D-Okla.), looking into problems of the retail automobile dealer.

Monroney opens his hearings on Jan. 19 with testimony by George Romney, president of American Motors Corp. GM executives, along with those of Studebaker-Packard, Chrysler, and Ford, will follow. An indefinite number of representative dealers will also testify.

Indications are that the auto makers will be on the defensive from the outset. Early in the hearings, Monroney plans to turn loose his summary of answers given by 20,000 dealers to a subcommittee questionnaire on what's wrong with automobile marketing. The Oklahoman has staked out four major areas to be covered:

- Phantom freight charges—the practice of forcing the purchaser to pay freight from, say, Detroit, although the automobile may have been assembled much nearer.

- So-called bootlegging of new automobiles at cut-rate prices on used car lots.
- Equities of franchise contracts between dealer and manufacturer.
- "Wild credit," which many dealers complain they are forced to grant consumers in order to satisfy quotas in the manufacturers' race for sales supremacy.

• • •

New Disagreement in Congress Over Wave of Business Mergers

Republicans and Democrats in Congress locked horns this week over the meaning of the new wave of mergers that's been taking place. The outcome seems to guarantee only one thing: that the Democrats who control the Congressional committees will try to make election-year politics, if they can, out of the Republican record on slowing down the rate of mergers.

The Democratic majority of the House Antitrust subcommittee charges in a new report that the anti-merger enforcement activity of the Federal Trade Commission and the Antitrust Div. of the Justice Dept. "has been negligible." The Republican minority retaliates by quoting Chmn. Emanuel Celler—an outstanding Democrat on antitrust matters—in praise of Stanley N. Barnes for his effective work as chief of the Antitrust Div.

In its report, the committee may have made a permanent contribution to antitrust literature. It has published in tabular form data concerning each of the 1,770 corporate mergers and acquisitions that took place in the manufacturing and mining fields from 1948 to 1954.

The new report gives the name and assets of the acquiring company and the acquired company by category of industry—food, beverages, textiles, lumber, and the like. There is a similar listing of mergers of nonmanufacturing companies and of banks.

• • •

CAA Still Talks of Selling Communications to Private Owners

The Civil Aeronautics Administration's new top management may let private business take over operation of its 160,000-mile teletypewriter network.

CAA Administrator Charles J. Lowen said this week that studies on costs and other factors are being made, and a decision should be possible within six months.

Both Western Union and American Telephone & Telegraph Co. are interested in buying CAA out of the telecommunications business—for approximately \$10-million—and supplying comparable services under long-term leases. The CAA network carries weather and air traffic reports, among other information, for all non-military aviation.

Lowen's statement came as Democrats in Congress kept up their fire on CAA's parent, the Commerce Dept., for the recent firing of Lowen's predecessor, Frederick B. Lee. Rep. Robert H. Mollohan (D-W. Va.), a ranking member of the House Committee on Government Operations, charged Lee was dismissed, partly at least, because he insisted CAA could operate its own teletype

facilities more economically and efficiently than a private contracting firm.

Proposed Reform of Powers Draws Fire From ICC Staff

The Interstate Commerce Commission, oldest of the federal regulatory agencies, is running into rough weather. Pressures are piling up on both its personnel and policies.

The morale of ICC was hard hit by the recent resignation of one of its members, under fire over "conflict of interest" charges. It's the first time this has happened in the 68-year history of ICC.

On the 11-man board, there is now only one member whose appointment dates back to the end of the war, and he goes off Dec. 31. Five members are Eisenhower appointees, and the President will have to name four more soon.

The large "freshman" class that will soon compose ICC has to face a growing demand for an overhaul of transportation policies, both at the statutory and regulatory levels. The cry is for more competition within and among rail, highway, and water carriers.

Agitation for this reform originated largely among the railroads, but it is finding considerable support among shippers. The drive for less government regulation was instrumental in the President's naming of a Cabinet committee, headed by Secy. of Commerce Sinclair Weeks, to review the situation. This committee's report calls for curtailment of ICC ratemaking and other powers. Obviously, it will put the commission on the defensive at the next session of Congress.

Aggravating the ICC problem are the personnel cuts that have taken place over the years. The staff for administering truck regulations, for example, has been cut in half over the past 10 or 15 years—while the number of trucks to be regulated has more than doubled.

In an 81-page analysis of bills now in Congress that would carry out the Cabinet committee's proposals, ICC recently blasted any policy that would lead to confusion and that might cause the transportation industry to revert to the "law of the jungle," with unbridled competition.

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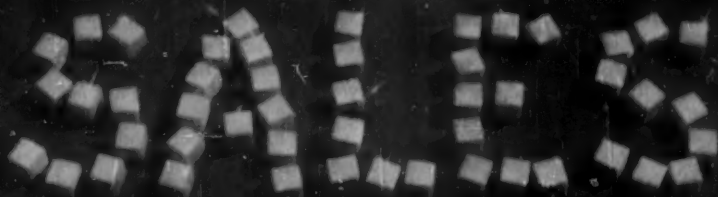
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Is It Too Good to Be True?

● Corporate hearts beat high, with a glad faith that new records are coming.

● Only in the money and stock markets can you find a little gnawing unease.

● In the Street, some doubts arise from the very exuberance of the businessmen generally.

For economists, the 1956 business horizon is smudged with a few uncertainties that need to be watched closely (page 17). But you'd have a hard time finding a single businessman who will admit to any serious doubts.

The almost unanimous confidence is focused strongly by Harlow H. Curtice, president of that largest of all industrial enterprises, General Motors Corp. Says Curtice, "I am confident . . . [that] . . . the forces that produced prosperity in 1955 . . . will continue to operate in 1956."

• **Reserves**—This optimism, however, is unanimous only when the forecasters are talking about business in general. More division shows up on the question of how individual industries will make out. And when the forecasters look at two important segments of the economy—the stock and money markets—unanimity vanishes entirely.

Even here, you find no underlying evidence of deep uneasiness, but both the markets show signs of strain or other symptoms that should be studied very sharply by businessmen seeking clues to the future.

• **The Money Market**—The Federal Reserve Board has been getting uneven results from its policy of restraining money in order to keep the boom from bursting its seams. The resulting increase in borrowing costs has been much less marked for long-term loans than it has for short-term rates—the Treasury's bill rate, and the rate for bank loans and commercial paper.

The end product—novel in recent years—has been that some long-term issues have lately been floated at costs to the borrowers actually smaller than if they had raised the money by short-term bank loans at the prime rate. This disparity looks strange only to the younger Streeters; in the days before the government espoused easy money, long-term rates often dipped below the short term.

The Street is divided as to whether the old or the new relationship will pre-

vail over the longer run. At least one group of money market experts believes that the squeeze on money will get tighter during 1956. They reason further that the added pressure will be felt particularly by the long-term rates. Two clues have been noted in the guessing game on whether such a rise would restore the old pattern:

• **More and more realistic pricing** has been needed to persuade investors to sop up new long-term bond offerings.

• **Last week, prices declined** in the long-term Treasury market. The Victory 2½s, to cite just one issue, lost all their hard-won gains in a slide back to their November closing.

• **The Prime Rate**—New York bankers are reported to be divided on the desirability of another boost in the prime rate. Those opposed to a rise argue that, since efforts to tighten money have been reflected so much less fully in the long-term rate, a boost in the prime rate would simply intensify the scramble to borrow from such traditional long-term sources as the life insurance companies.

On the other hand, there is talk that the next governmental move to stabilize the economy will be another raise in the Fed's discount rate. If this were done, a rise in the prime rate would probably follow immediately, for all the reluctance of some bankers.

There's another question in the prime rate discussion: Just how many borrowers are actually getting the prime rate these days? Generally, when money is tight, bankers tend to downgrade would-be borrowers. As the squeeze increases, fewer and fewer clients are granted the prime rate.

• **New Money**—A majority of experts think that demands for new money will continue high, at least for some months. But some economists disagree. The dissenters argue that most corporations will be increasingly able to finance their huge expansion programs internally, through ever-growing mountains of retained earnings, along with accelerated

amortization and other factors. The same group expects a slackening demand for mortgages, and a decline in the heavy borrowing done by finance companies to meet the record demands of consumer credit—which is a top target in the efforts to restrain borrowings.

Even if the demand for loans should show no abating, there is no scarcity of lendable money in sight for 1956. Every one agrees that the government money managers will see to that. Just the same, the lender will continue in the saddle for a while; the borrower will have to pay what fee the lender demands, and accept whatever conditions he lays down.

• **In the Stock Market**—On the average, stockbrokers seem to be as thoroughly indoctrinated with the "1956 is in the bag" doctrine as are businessmen as a whole. One Streeter voiced the views of many last week when his Christmas market letter said there is "no room for Casper Milquetoasts . . . new figures, new dimensions, new horizons are going to be the order of the day . . . and the quicker investors get the 'feel' of what is ahead the more rewarding will be their portfolios."

The market itself seems equally sanguine—at first glance. The averages show prices at an all-time high.

But it has been a long time since the various averages have given a true picture of the market. What we have now is a market of stocks, rather than a stock market. Of late, the advances have been increasingly selective; in one stretch when most averages pointed up, only 22% of the issues traded on the Big Board rose more than one point; the other 78% were up less than a point, or actually lower in the period.

• **Backing Away**—These trends have not passed unnoticed. A growing group of smart analysts is breaking away from the prevailing bullishness, and warning clients of possible reefs ahead. Also, there have been wide rumors of heavy stock selling by a growing number of investment companies. The rumors are probably a bit hyped up, but the fact remains that two large investment companies have declared extra-large yearend "capital gains" dividends.

It's impossible to name any single factor as responsible for the erosion of confidence. Rather it has been the interaction of a variety of things:

• The yellow and red signals flashed by several of the market's qualitative technical yardsticks.

• The gradual rise of bond prices,

which is often the prelude to a decline in stock prices.

- The worsening international situation.

- The rising cost of manufacturing, coupled with growing belief that labor is certain to make "extravagant" demands.

- Worry over Pres. Eisenhower's health, and the results of the 1956 election.

- A growing notion that the blue chips that have led the market advance for so long have finally reached dangerously high levels.

- Just an in-the-bones feeling that

market confidence has been ebbing since summer.

- **Backfire**—Businessmen as a group might be disconcerted to learn that their exuberant confidence has actually shaken the faith of some Wall Street quarters. That's because their bullishness has become so rampant that it evokes memories of 1929. An increasing number of sober-minded Streeters are beginning to wonder whether, when the final history of this bull market is written, it will show that the optimism of business played the same role that the market enthusiasm of the multitude had played in 1929.

Fight Over Car Insurance

New York legislature is heading for another battle over compulsory plans. Companies are split on the scheme.

One of the hottest legislative fights in last year's New York State Legislature is smoking again, and will probably burst into flame in the 1956 session. On the last day of the 1955 session, the compulsory automobile insurance measure first proposed by former Gov. Thomas E. Dewey was defeated in the state Senate, after passing the Assembly. The biggest factor in killing the bill was the abstention of nine Democratic senators who previously had voted for it. Republican senators voted 19 to 17 against the measure.

Now State Supt. of Insurance Leffert Holz has come out with a measure designed as a substitute for the Dewey-backed compulsory insurance plan, which Holz says had "inherent weaknesses and defects."

- **Holz Plan**—Holz advocates an unsatisfied judgment plan, similar to that in effect in New Jersey. It would require every motorist either to provide proof of adequate auto insurance when he registers for a license, or to pay an additional assessment above the cost of registration. The fund built up from assessments against the uninsured motorists would be used to satisfy claims of any insured person against an uninsured motorist.

The Holz plan found little favor from either mutual or stock insurance companies, and it has already drawn fire from state legislators of both parties. One insurance company executive calls it "a stopgap designed to cover up the Democrats' embarrassment over the whole compulsory automobile insurance issue."

- **Battle Line Forming**—As things stand now, chances are good that Gov. Averell Harriman will back Holz's plan at the legislature's opening on Jan. 4. He may tie it in with a compulsory auto inspection plan. But Republicans, who now lean more strongly toward an outright

compulsory plan such as Dewey recommended at the previous session, have enough votes to kill the Holz proposal.

Already one Democratic assemblyman has announced that he will reintroduce the Dewey measure, indicating that Harriman may have trouble within his own party about Holz's plan.

- **Industry Stand**—While political battle lines are being formed, the insurance industry itself is loosening up its siege guns. The mutual companies favor a compulsory insurance plan, and their strongest voice is giant Liberty Mutual Insurance Co. Liberty has proposed an "equal responsibility law" that would work generally like Dewey's measure but is designed to cut down on administrative paperwork.

The equal responsibility law would actually be an amendment to the existing safety responsibility law, which requires drivers involved in accidents to provide proof of financial responsibility and to maintain insurance or an adequate bond in the future.

The Liberty Mutual proposal would go further, however. No vehicle could be registered unless it carried (1) insurance in the amounts of \$10,000-\$20,000 for personal liability and \$5,000 for property damage, (2) a bond of \$25,000, or (3) a certificate of self-insurance. The owner must maintain his insurance as long as the registration lasts.

- **Ways to Look at It**—In citing his opposition to any unsatisfied judgment fund, such as Holz has proposed, a spokesman for the mutual companies points to a survey taken in New Jersey that shows drivers there would prefer some form of compulsory insurance to their present unsatisfied judgment setup. The New Jersey system levies an assessment on both insured and uninsured motorists, as well as the insurance companies themselves, for the fund; Holz

would assess only uninsured owners.

Even though the mutual companies are backing a compulsory insurance plan, they are holding out for one basic difference from the old Dewey measure. Under the Dewey plan, a vehicle owner must show a certificate or some proof that he is insured up to the minimum amounts required for registration. The equal responsibility proposal, however, would not require a certificate or any physical proof of insurance. The owner would simply state in his registration application that he was insured in the required amounts.

- **No Unanimity**—The stock companies are against any form of compulsory insurance. They also object to the Holz plan. However, the stock companies are much more split on the issue than the mutuals.

Since Oct. 5, the stock companies have been offering broader coverage to protect their policyholders against the uninsured motorist, and they claim the response to this program has been "enthusiastic." The rate for such coverage is a little higher than regular rates.

One important factor behind the difference in thinking between the stock companies and mutual companies is how much of a problem each type of company thinks the uninsured driver really is. The mutuals quote a figure of around 13% uninsured in the state, and an estimated \$20-million of damage from the uninsured each year. The stock companies however, say that only 3% of all cars in accidents are uninsured, and that this is the pertinent figure.

FINANCE BRIEFS

Borrow-by-mail is the newest banking gimmick to come out of Boston, where the First National Bank introduced a revolving check credit plan a few months ago (BW-Oct. 15 '55, p. 63). The Merchants National Bank has sent depositors a special application that can be filled out for a desired amount and mailed to the bank. After the application is approved, the bank mails a check for the requested amount.

- **Radio Corp. of America** will be a member of the billion-dollar club in sales for the first time in 1955, if Chmn. David Sarnoff's estimate holds up. Sales totaled \$941-million in 1954.

- **The New York, New Haven & Hartford RR**, being investigated by the Massachusetts Public Utilities Commission and tussling with rebellious New York commuters, expects to earn \$10-million to \$10.5-million this year, according to Pres. Patrick B. McGinnis. The New Haven earned \$9.1-million last year.



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THE MARKETS

Wall St. Talks . . .

. . . about bearish crystal balls . . . SEC and variable annuities . . . utility stock yield yardsticks.

How bearish, actually, are some of the unoptimistic crystal ball readers whose numbers have been growing on the Street (page 72)? Two, at least, go pretty far. Off-the-record, one current bear expects the stock market to stage a .25% to 33% drop some time in 1956. Another has just told clients "the drop . . . foreshadowed is very substantial . . . 35%, or 170 points on the Dow-Jones industrial average."

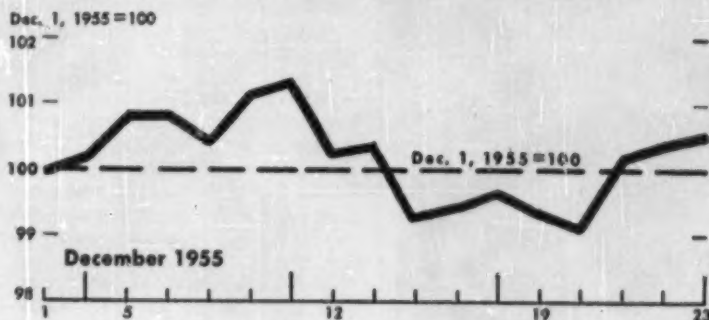
SEC, Streeters hear, is eying the variable annuities some life insurance companies have talked of issuing (BW—Mar.19'55,p122). The reason: Such funds will normally be invested in equities, just the same as monies constantly received for investment by open-end investment trusts from sales of new shares. Commission officials are reported asking themselves: Aren't annuities therefore "stocks" in the same sense that open-end fund shares are? Shouldn't they be registered with, and supervised by, SEC like fund shares?

Worth remembering: In judging the return offered by utility commons, many analysts are relying less on the Dow-Jones utility stock yield average and more on the similar yardsticks compiled by Standard & Poor's and Moody's. Here's why: This year the D-J average has been greatly distorted on the upside by inclusion as cash dividend payments of the stock dividends disbursed on two of its component issues; thus it stood recently at a 5.58% level, against the 4.68% and 4.61% concurrently shown by S&P and Moody's.

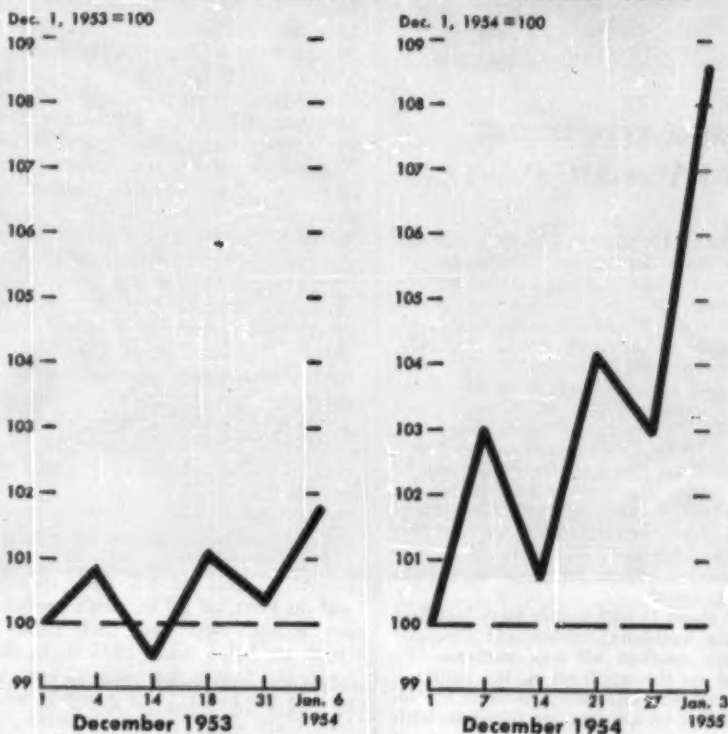
A new New York Stock Exchange member: Lee Higginson Corp., one of Wall Street's older, and larger, underwriting houses. It's the first prominent incorporated security underwriter to seek admission since the Big Board two years ago permitted membership by corporations as well as partnerships.

Merger rumors: Though the companies deny it, reports—supposedly coming from knowing Detroiters—are again rife of "informal" discussions between American Motors and Studebaker-Packard. . . . The W. R. Grace & Co.-Smith-Douglass Co. rumor is back—and as potent as ever: Smith-Douglass, down to a new 1955 low of \$20.25 last month, is now selling at \$31.

The 1955 YEAREND RALLY: So far . . .



... more like 1953... than 1954



Data: Standard & Poor's 50 Industrial Stock Price Index.

© BUSINESS WEEK

Tax Selling Is the Spoiler

A well-known Rodgers and Hart tune asks "Where's That Rainbow I Dream About?" This week Wall Streeters are wondering the same thing about "that yearend rally." Standard & Poor's index of 50 industrial stocks stood this week about 3% below its high for the year—set in mid-November. The index is at almost exactly the same point it was on Dec. 1.

So far there has been no sign of a

yearend rally, and its failure to develop is doubly disappointing this year. Streeters have been telling themselves that in 41 of the past 58 years, the averages have turned up in December. It's a psychological shock when such carefully prepared ground fails to bear fruit. Also, Streeters remember the spectacular showing last year, culminating in the dizzy Jan. 3 gyrations, sparked by rumors of a General Motors stock

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Fast new caulking method weatherproofs "curtain wall" panels



Here in the Flour City shops, a Graco Powerflo Pump, mounted in an original pail, caulked the panel frames before the porcelain sections were put in place. Positive control of material flow meant even distribution and no waste of material.



At the building site, another Powerflo Pump caulked seams and joints evenly and rapidly. Pump was moved easily from place to place. The speed of this Powerflo method permitted the "hanging" of panels to proceed at a fast rate.

The new Minneapolis home office of the Lutheran Brotherhood life insurance society is a striking example of modern "curtain wall" building construction. Each of the 768 panels contains a green porcelain section and a window unit in a stainless steel frame.

These modern and colorful panels were furnished and installed by the Flour City Ornamental Iron Company. In the Flour City plant, they used four air-powered Graco Powerflo Pumps to seal every joint, seam and sill in the panels. Caulking material used was Prestitite Permagem 570.4, and the pumps extruded it right out of the original 5-gallon pails...direct from pail to panel.

As these 14-foot panels were installed on the building, additional Powerflo Pumps caulked all key surfaces. To speed up the application, the caulking material was effectively handled by the Powerflos on a tight time schedule, with no waste.

For you, Graco Powerflo Pumps can do many jobs...spraying or extruding mastics, adhesives, sealers, etc. The Graco Laboratory will report without obligation on the pumpability of the material you have in mind. Request this service, and ask for a copy of the new Powerflo catalog.

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GRACO...

Engineers and Manufacturers of air-powered paint circulating systems and heavy material pumps, drum pumps, lubricating and automotive service equipment

split. While they didn't particularly want any repetition of such pyrotechnics—which were followed by a margin hike and Sen. J. William Fulbright's "market study"—they would have liked a repeat of the 3% to 4% rise in prices that was experienced up to Dec. 31 last year.

• **Weaker Than 1953**—So far, the market's yearend action has closely matched its moves of 1953, when the yearend rally carried the 50 industrials up only 1.8%. But at the rate this year's market is going, it will have to pep up some to match even that unspectacular showing.

Tax-loss selling is probably the biggest single reason for the failure of the averages to move up. These sales have taken a heavy toll in stock prices, and not only in secondary issues. Many blue chips are off considerably more than the S&P index's 3% dip. General Motors was selling this week about 15%, and Chrysler about 13% below their highs. These issues showed some strength just before Christmas. But the auto industry leaders' post-Yule predictions of drops in output (page 26) have dampened the earlier enthusiasm.

Many groups have looked strong, but the selectivity of the market shows up among even the best actors. Aircrafts, for instance, have been showing more consistent strength in past weeks than any other single group—largely because of Defense Dept. plans to boost spending for advanced planes and guided missiles. But, while many aircraft shares were selling near the year's highs, Boeing slipped 11% and Lockheed was off 16%.

• **Loss Leaders**—The averages themselves are being supported by a smaller handful of issues than ever. Blue chips like U.S. Steel, off 8% from its high, and du Pont, off 10%, aren't providing any steam. Now that such issues as these are below their 1955 highs they are prime targets for investors who are seeking tax losses. And generally when blue chips don't provide leadership at the end of the year, the whole list is held down.

Whether the market can respond with zip once its tax-selling fetters are struck off depends to a great extent on how investors feel about near-term economic and financial developments (page 72).

Brokers are talking about "reinvestment demand" in early January. But much of that demand is likely to center on one issue—the estimated \$700-million worth of Ford Motor Co. stock scheduled for sale on Jan. 18 (BW—Dec. 24 '55, p. 74). It could well be that some of the recent weakness in GM and Chrysler stems from a shift by investors, who are gathering funds to buy Ford stock. **END**



In yesterday's cornfield a giant new electric power plant takes form. Thus does Stanley Meltzoff tell the story of never-ending expansion and development on the part of America's responsible utilities in the interest of adequate electric power for homes and industry.

United Engineers has pioneered in power plant construction. As designers, construction managers, and engineering consultants, we have long served many of the nation's pace-setting utilities and industries on such projects as thermal and hydro-electric plants, electrical substations and installations for supplying heating and process steam.

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... your television set ... and even your tableware

BY THEMSELVES, these two liquids flow as freely as water. Yet when poured together they quickly turn into a solid—harder than many metals.

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PERSONAL BUSINESS

BUSINESS WEEK

DEC. 31, 1955



Choosing the right broker when you're planning to sell a house can spell the difference between unnecessary delay and disappointment, loss of money, and a satisfactory deal.

One way to get a good agent is to go to your local bank. If you live in a small community, go to two or three banks. Chances are you'll hear the same couple of names turning up several times. These are likely to be the people for whom the banks in town have the most respect.

That's important because real estate deals usually involve big money, and it's a bank's business to keep in close touch with the local market.

Once you get the names of, say, three brokers, go to the offices of each. You can get a good idea from the environment as to the type of broker each is.

If you're still in doubt, have each one come out to your house and look it over. Beware of the agent who simply takes a quick look around the living room over a highball and then puts a price on the property. The good agent—even if he's the same one who sold you the property—will examine the house from top to bottom.

That's the only way he will be able to answer any prospective buyer's questions about anything from the septic tank to paint on the bedroom walls.

The seller, in turn, should be as frank with the broker he finally picks as he is with his doctor, lawyer, or banker. Tell him exactly what you have put into the property, what defects you have discovered, and what you honestly think it's worth.

Only then can your broker help you arrive at a sound selling price. Remember that real estate has no fixed value; everything from the economic situation to the urgency of buyer or seller can make it fluctuate drastically.

Thus any good broker will turn down a house that he feels is priced too high for comparable property in the current real-estate market. He has something at stake, too—his commission and his reputation. So he won't let himself be saddled with something he can't sell.

However, it's legitimate to allow some leeway for bargaining—especially in larger properties. People buying a high-priced house expect to bargain. So you can add on as much as 10% for bargaining—and you may even get it.

In fact, a good agent will recommend a margin for negotiation. The reason is that there is no common yardstick for large properties as there is for, say, the \$20,000 class.

Read carefully any contract between you and your broker, so you will know fully the arrangements under which your house is being sold. There are five general kinds of agreements with brokers:

- "Exclusive." Only one broker can work on selling the house. If the owner sells it himself, the broker gets no commission.
- "Exclusive right to sell." Same as "exclusive,"—except that the broker gets a commission even if the owner sells the house himself.
- "Exclusive with an override." An exclusive broker has the right to bring in other brokers. This may cost the seller a larger commission. (Com-

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

DEC. 31, 1955

missions are generally—but not always—5% on homes; they can run as high as 10% on farms.)

- "Multiple listing." Only certain areas have this system. All local brokers included in it can handle a house; those outside the area are usually excluded. Not too good for large properties that may be of interest to buyers outside the area.

- "Open listing." You can have as many brokers of your own choice as you wish to list your house. Disadvantage: None will do so big a job of advertising as will an exclusive broker.

—●—

Splinters from a broken glass or bottle are hard to get off a bathroom floor. Best tool for the job is also the handiest—a bar of damp soap. You can use the soap for washing again if you are careful to shave off all the glass splinters it picks up.

Soap is good for a lot of other household services. If you can't find the oil can, you can stop the creaking of door hinges by applying soap to them while open and closing the door until the sound stops. Soap rubbed on a stubborn key may make it turn more easily. Try it, too, on rusty locks; it may loosen them.

Dry soap will take the stiffness out of the heels of new shoes, help prevent blisters. A touch of damp soap will stop a run in a nylon stocking.

A soap solution combined with whitewash will give walls a glossy finish. Dissolve a pound of soap in a gallon of hot water, then add five gallons more of water.

Roll newspapers tightly like small logs, tying each firmly. Then soak them in soapy water and stand on end to dry. They will make good "logs" for your fireplace in the chronic emergency of a depleted woodpile.

—●—

When you do replenish your fireplace wood, make sure you get the type that will give you the kind of fire you want. Most heat comes from white oak, hickory, beech, yellow and black birch, sugar maple, and red oak—in that order. Pine and fir burn more brightly. For fragrance, apple, pear, plum, and cherry are best. Elm is among the least desirable of fireplace woods.

—●—

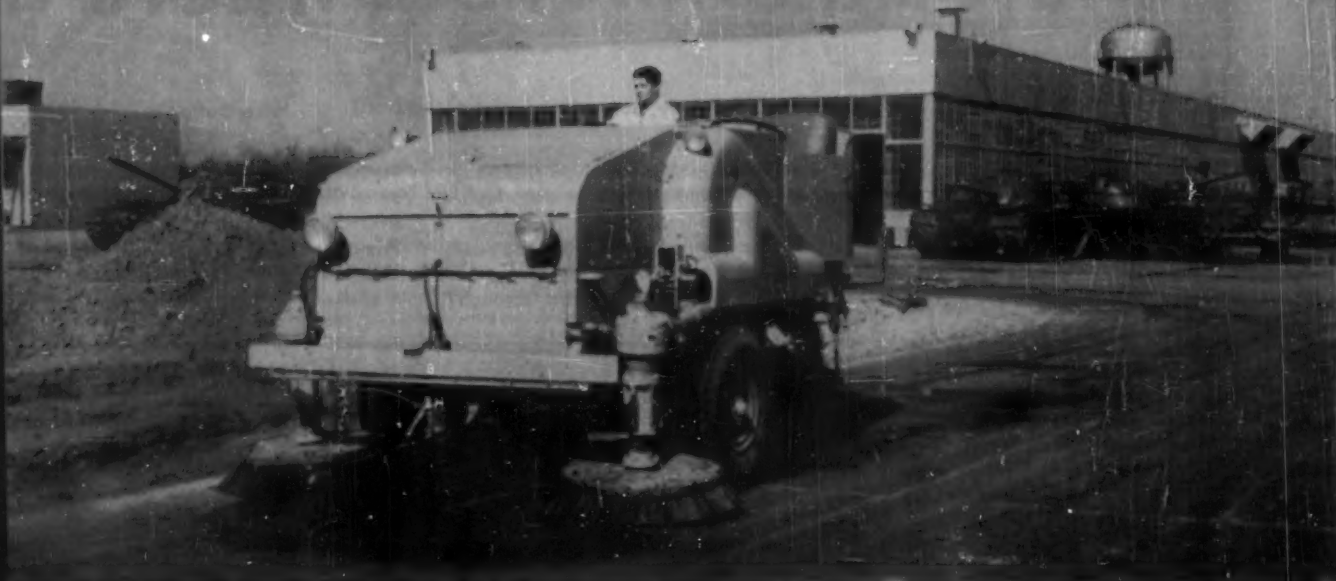
The longer you wait to exchange Christmas presents, the harder it will be to do. Most stores prefer to have you act within two or three weeks. If you do, stores make exchanges a fairly simple matter. If you wait longer, expect to go through a lot of red tape.

—●—

Executives suffering from anxieties, phobias, or depressions often don't seek the hospital treatment they need. For one thing, they fear that if the firm learns of the nature of their illness it will impair their standing. Also, they feel they can't afford the time.

Montreal General Hospital has come up with an answer in its "Night Center." The executive goes to the hospital about 6 p. m., receives therapy, has dinner—and spends the night. After breakfast, he leaves for work. The system doesn't interrupt his normal work routine or earning power.

Cleans Up Clay, Piles Up Records



at Newark, Delaware . . . Chrysler-powered Sweeper puts in full time keeping army tanks rolling

Clay can't stop a General Patton. But at the government tank plant at Newark, Delaware, clay from tank tracks cannot be allowed to accumulate. If it piles up on the test track, clay and mud might complicate test operations. And that's where the sweeper comes in.

For three years now, the Newark Plant has relied upon a single Wayne Sweeper to keep their mile-long

test track clean, their paved streets clear of debris. The job is a big one . . . it keeps the sweeper in operation eight hours a day, five or six days a week. Clay flattened out onto a concrete track is difficult to remove and the sweeper's double gutter brooms work hard.

The Newark Tank Plant's Wayne Sweeper has travelled some 46,000 miles in the performance of its job and is still going strong. Its Chrysler Ind. 32—265 cubic inch displacement engine has required nothing beyond routine maintenance care. Plant maintenance superintendent reports operating costs—gas and oil consumption—are light despite heavy operation.

Here again we see demonstrated the kind of service users can—and do—expect from good equipment, Chrysler-powered.

If you want to know more about Chrysler Engines as power for your equipment, write:

Dept. 312, Industrial Engine Division, Chrysler Corporation, Trenton, Michigan.

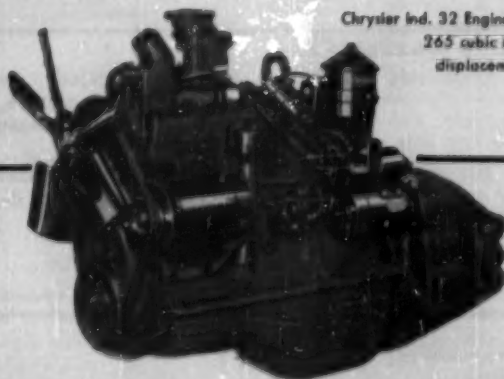


"One-Man Sanitation Department" . . . that's what they call the Wayne Sweeper at Newark, Delaware Tank Plant. Chrysler Ind. 32 Engine equipped with heavy-duty four-speed transmission powers brushes, hopper-filling mechanism, and travels the sweeper at traffic speeds. Sweeper is a product of the Wayne Manufacturing Co., Pomona, California.

CHRYSLER

INDUSTRIAL ENGINES

INDUSTRIAL ENGINE DIVISION • CHRYSLER CORPORATION



Chrysler Ind. 32 Engine—
265 cubic inch
displacement

HORSEPOWER

WITH A
PEDIPORE

Materials in 1956: There'll

Material	Supply Outlook	Price Outlook
METALS		
Steel	Shortage will continue through first half, especially if auto production stays high.	Further increases in "extras" and some base prices; general rise expected by midyear.
Copper	Tight but improving in first quarter; easier through the rest of the year.	Primary copper may fall by midyear; secondary, now sky-high, will drop.
Aluminum	Continuing shortage, at least through the first half.	May rise ½¢ to 1¢ per lb.
Lead and Zinc	Adequate. Production will increase somewhat.	Prices, especially for zinc, may move up another ½¢ notch early in the year.
Nickel	Continuing very tight.	64.5¢ per lb. since November, 1954; may go up next year.
Tin	Relatively tight; most Bolivian, some Indonesian output going to stockpile via Texas City smelter.	Very high now. Will probably stay high through early 1956; after that, anything can happen.
Titanium	Capacity will go to 22,000 tons in 1956—compared to 8,000 tons this year.	Went from \$4.50 to \$3.45 per lb. in 1955; may drop further in 1956.
FUELS		
Coal	Plenty for all needs.	Will go up 15¢ to 25¢ a ton—or 3% to 5%—during the year.
Oil	Heavy fuel oil very tight; big demand in first quarter may bring spot shortages in heating oils; gasoline inventories plentiful.	No crude oil price increase expected through most of the year. Products prices, on the whole, will be strong.
TEXTILES		
Cotton	Far more than enough; supplies equal to more than two years' needs.	By law, price supports should drop, but
Wool	Adequate. Domestic production about the same as 1955.	Strengthening now; may continue to rise slowly.
Print Cloth	No shortages, though mills are sold well ahead. Output up 3% to 5%.	Prices—now best in two years—will rise further through the first half.
BUILDING MATERIALS		
Cement	New capacity will ease supplies, but there will still be spot shortages.	Prices rising 15¢ to 25¢ a bbl.—or 6% to 7%—first of the year.
Glass	Continuing shortages through the first quarter, possibly until midyear.	No major change in factory prices expected.
Gypsum	Shortages will continue, may ease towards the end of the year with new capacity.	First of the year, plaster up \$1 a ton; wallboard and lathe up \$1 and \$2 per 1,000 sq. ft. Increases range from 2% to 7%.
Lumber and Plywood	Plenty in 1956. Plywood output due to gain 14%, for another record.	Lumber about the same as in 1955. Sanded plywood grades up 3% to 4%.
OTHER MATERIALS		
Chemicals	Mostly plentiful, a few gluts (possibly ammonia, acetone, polyethylene), some shortages (selenium, nickel, and copper derivatives).	Generally higher in the first quarter; further increases possible in the fourth quarter.
Rubber	Pressure on supplies will continue through the first quarter, then should slacken.	Good chance of a 1¢ or 2¢ per lb. hike in synthetic prices in the first half. Natural rubber expected to be firm in the first quarter, ease in the second, then drop further in the last half of the year.

Be More, But at a Price

The Situation

Producers are close to absolute capacity; expansion now on the books will raise capacity some 6-million tons in 1956 and 1957.

Barring further labor trouble, production will increase 5% to 10% to hit a record high. But anything can happen in copper—and usually does.

Production increasing steadily; next year will be up another 7%. Government will divert 200,000 tons from stockpile to commercial users in first half of year.

Tightest market now in Special High-grade zinc, used in die-casting. Peak auto production next year would continue the shortage.

International Nickel Co., industry kingpin, is under pressure from other producers to raise the price. Some European, American companies bidding over \$2 per lb. for nickel.

Price depends on fate of Texas City smelter and International Tin Agreement—as well as on politics in Southeast Asia.

The coming metal. Big need is higher production and lower prices—to allow wider use.

With exports strong, coal is booming for the first time in years. 1956 bituminous production will top 500-million tons, best since 1951.

Everything depends on Washington—in an election year.

Competition from synthetics puts a limit on wool prices. Wool is now lower than competitive synthetic fibers.

Minimum wage hike, effective in March, will affect cloth prices. Some of the heavy ordering now is for building inventories to beat the rise.

A big highway program could mean shortages as bad as in 1955.

New plants coming in will begin to relieve the shortages fairly early in the year.

First general price rise since March, 1953.

Biggest question is the level of homebuilding next year. If housing starts slip below the predicted 1.2-million for the year, prices will soften.

New additions to synthetic plants, being built now, will start producing in the spring. Biggest question on demand is level of auto production.

In many a purchasing agent's memory, 1955 will live as the year of shortages, and the frantic search for materials that weren't there.

The table to the left shows that in 1956 purchasing agents are still likely to have to do considerable scrambling, at least in the early part of the year. And though their troubles on this score will ease as the year advances, they will at the same time be facing a general upward trend in the prices of the materials they buy.

• **Metals**—On the whole, metals gave the most trouble in 1955. Steel tightened up early in the year; the hoped-for summer respite never came. The industry poured out huge amounts of steel, week after week, all through the year, and still it wasn't enough. Users now get their steel under strict allocations, and production is sold out well into the new year. Overworked plants have meant machinery breakdowns, adding to the difficulties. The only solution is still more steel capacity, and producers are expanding now—but that doesn't help the immediate situation.

Copper, with the tremendous resurgence of world demand, would probably have been tight even if all had been peaceful. But, instead of peace, the industry went through a siege of strikes, in this country, in Chile, and in Rhodesia. Prices went (and still remain) sky-high, but the main difficulty was in getting enough to keep going at any price. And last week, the industry was in the midst of still another strike, this time in Chile.

Aluminum, nickel joined the list of scarce metals in 1955. Lead and zinc, which went into the year clinging to the government's "long-range" stockpile for support, are now having all they can do to meet demand. Shipments to the stockpile are down to a trickle. Of the two, zinc is the tighter; the die-casters' grade, Special High, has reached the shortage stage.

• **Scrap**—The scrap markets (and secondary metal made from scrap) are always more sensitive to changes in the supply-demand balance than the primary metals. They boiled up in fine style this past year.

Steel scrap now averages over \$52 a ton, highest ever, and may well go still higher. Copper scrap and secondary copper are also at record levels. The price for secondary copper, around 50¢ a lb., is 7¢ higher than primary copper.

Secondary aluminum has been sell-

Door closers, hydraulic cylinders, flashlights, motor housings...uses for Alcoa® Aluminum Impacts are industry-wide and growing



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ALCOA ALUMINUM IMPACT EXTRUSIONS

" . . . if autos fall below the rosy predictions, steel and other metals will be easier . . . "

STORY starts on p. 82

ing over the primary metal since the beginning of the year; the margin is now more than 7¢ a lb., widest gap since 1951. Industries—such as the die-casters—that traditionally use secondary aluminum are having special troubles, since primary aluminum producers are taking care of their regular customers first.

• **Same Story**—While there was more concentrated shortage in the metals, the story was the same in other materials. Peak auto—and tire—production pushed natural rubber sky-high; there was pressure on synthetic as well, but prices stayed down. Those big, curved windshields on millions of autos meant glass shortages; estimates are that up to 60% of the output of some big glass makers went to the auto industry, and all other glass users felt the pinch. On the whole, factory prices remained stable, but there were big bumps in many areas in dealers' prices.

Cement, which gets scarce with every building season, was the tightest in years. Gypsum makers faced hectic demand throughout 1955.

• **Keys to 1956**—Whether more of the same is coming next year depends largely on what you think of the business outlook. New capacity is coming in for many materials, but most of it won't be producing enough to relieve shortages, at least through the first half, if demand stays as high as it is now. An exception is Libbey-Owens-Ford Glass Co.'s huge new plant, due to start operating within 10 months, which will almost double its output from Toledo.

Key industries to watch are autos and construction; if autos fall below the rosy predictions, steel and other metals will be easier, so will glass, rubber, even textiles. If housing starts to dip, it will give gypsum makers a breather, lumber and plywood perhaps more of a breather than they would like.

• **Ups and Downs**—Prices generally will be trending upward; the exceptions are those materials, such as copper, natural rubber, whose prices are far out of line already. Given some labor peace, copper should ease. Secondary copper will drop first to meet the "official" producer price for primary. Primary producers, mindful of the competition from aluminum, went to 43¢ a lb. reluctantly; chances are they'll come down again as soon as the air clears, possibly by mid-year. Natural rubber, now about double the price of synthetic, will probably

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Then, as the industry expanded, even the most prosperous companies lacked enough hard cash for generating more power, stringing up miles of new wire, and delivering current to millions of new consumers. So they turned to the nation's banks for assistance.

In less than half a century America was able to put the kerosene lamp on the museum shelf.

But there is nothing exceptional about this example of banking's contribution to progress. The simple fact is that it is banking's job to put the community's idle money to work wherever and whenever bankers find opportunity for profitable enterprise.

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For Sale or Lease in Webster, Mass. 300,000 sq. ft. of floor space, 5 manufacturers settled and happy. 1 bldg. 485 ft x 134 ft—2 floors 60,000 sq. ft. each. Separate bldgs. from 15,000 sq. ft. to 100,000 sq. ft. Ideal for heavy manufacture. Brick construction, cement and wood floors, sprinkler system, wired for 100 & 550, 4 oil high pressure boilers 250 lbs. Filter beds 2,000,000 gals. Water per day. RH siding. Surplus labor, 10 mi. from E. & West Super Highway under construction to connect with N. Y. highway, 50 mi. to Boston—40 to Springfield and Providence—170 to New York. Write Dudley-Webster Realty Co., Inc., 491 S. Main St., Webster, Mass.

For Rent

New air-cond. stores, 15x55, with ample parking 50. of Chgo. street (85th & Pulaski). Ready Mar. 1st \$290 mo. c/o Almart Electric Co., 2454 W. 28th St., Chicago, Ill.

come down in the second half of the year; new synthetic capacity, due to start producing in the spring, will help to satisfy demand.

On the other hand, it's likely that synthetic rubber will go up somewhat in 1956; there has been no price change since private industry took over the government plants last April, and the market could certainly take a rise.

• Yes—and Maybe—Steel will also go up. Though Chmn. Roger Blough of U. S. Steel Corp. torpedoed last fall an immediate general price boost, he foresaw an eventual price increase to help finance the industry's needed expansion. Industry forecasters don't rule out such a possibility in the first half of 1956, and see it as almost certain after that, when the costs of a new labor contract will also get into the picture.

Metals in the maybe stage are aluminum, lead, zinc, and nickel. International Nickel Co. of Canada, Ltd., producing well over half of world supplies, is under heavy pressure from other producers to lead off with a price rise. The market is extremely tight, and nickel is changing hands at well over the "official" 64.5¢ per lb. Producers say that nickel is traditionally about twice the price of copper, would like to go to 75¢ or 80¢ per lb. INCO is also a very big copper producer, and Eldon Brown, president of Sheritt Gordon Mines, Ltd., Canada's newest nickel producer, charged last month that INCO doesn't have to raise nickel prices because it's doing so beautifully with copper.

Tin, over \$1 a lb. now, is tightly balanced. Industrial demand is high, and right now any ore that might be surplus is going to the government-owned smelter at Texas City, and then to the stockpile—which doesn't need the tin. If the government should close the smelter—or possibly, sell it to private industry so that the metal would go on the market—tin prices would probably fall.

On the other hand, the International Tin Agreement, which will operate through buffer stocks and export controls, has been pending for a long time. If the necessary countries sign it this year, it will strengthen the market. To all this, of course, you have to add the uncertainties over political conditions in Southeast Asia—the main source of supply.

• Joining In—Coal and textile people are enjoying their best times in years; prices have already moved up and are very likely to rise further. Chemicals, too, are heading upward.

Gypsum has been stable since early 1953, in spite of the shortages. Now U. S. Gypsum Co. and National Gypsum Co.—biggest producers by far—are raising prices, effective in January. Cement, too, will go up in January. END

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COMMODITIES BRIEFS

Total U.S. oil demand in 1955 averaged 7.5% greater than 1954's low figure. Bureau of Mines' forecast for 1956—to be released next week—will show domestic demand up another 5% from 1955. But exports will drop, bringing the over-all gain to 3.5%—with demand over 9-million bbl. daily.

"Almost unbelievable disregard" by importing companies of government's request to reduce imports is charged by Independent Petroleum Assn. of America. IPAA cites forecasts of imports filed with the Texas Railroad Commission, which show a total cut of only 5,500 bbl. a day below plans filed two months ago.

Foam rubber clothing: This spring, German buyers will get clothes made of "Ceolon," a material containing from 30% to 80% foam rubber. Big porous blocks of rubber are cut into tiny strips of threads, then braided with textile threads for reinforcement. The material is featherlight, thin, porous, and very warm—and will cost about half as much as equivalent wool cloth.

Zirconium production has gone wholly into private hands. Until last year, the Bureau of Mines was the main supplier; now it will put its plant on a standby basis and limit itself to research on problems affecting zirconium use.

Raw apparel wool consumption through October, 1955, gained 5% over 1954, as production of wool fabrics rose sharply. The shift toward woolen (and away from worsted) constructions continued; so did the steady trend toward lighter-weight fabrics.

Higher iron ore prices, long expected, are now sure: Cleveland-Cliffs Iron Co.—biggest independent seller in the industry—has announced an 85¢-a-ton increase on ore shipped next season. This is the biggest price hike since 1948, when prices went up \$1 a ton.

Agriculture Dept. forecasts a 2% decline in next spring's pig crop, bringing the two-year upturn in production of the porkers to an end. If the drop materializes, it may start hog prices up again by late summer—no small boon to the Administration in an election year.

Hand-split cedar shakes, which provided the first primitive roofing for early settlers, are booming. Architects like them for the rustic appearance and texture they give to a roof. Forty Pacific Northwest producers have formed a trade association to set standards and define grades.

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The Meaning of Christmas, 1955

It was quite a Christmas. Customers by the millions, pockets bulging with money, poured into the nation's stores and bought lavishly. They stripped the counters of everything from 6-ft. teddy bears to mink-clad beer can openers. Indeed, from a business standpoint, Christmas, 1955, was the best holiday season by far that we've ever had.

Perhaps, in a way, it was a little too good, a little too lavish. The overwhelming material abundance of Christmas, 1955, may seem in retrospect a little too materialistic. The idea of Christmas, as many of us recall with a guilty feeling, had quite another origin. This is something felt not just by a few Americans. It is a common preoccupation of most of us to worry about Christmas and whether we have commercialized it much too far, whether it has not become much more Santa Claus than spiritual.

Thinking about Christmas at all seriously always impales Americans on the horns of a very tough dilemma. On one hand we feel the tug of the old values. On the other hand, practical people in a business community depending on trade for its lifeblood, we cannot help feeling thankful that we did have a rousing Christmas business and that sales exceeded last year's. This spells prosperity in an economy that must keep beating last year's figures or stagnate.

This conflict within us, though intensified and dramatized by Christmas, is only one expression of a basic conflict in modern American life. This is a conflict that arises from the inescapable, dominating fact about the U.S. in the mid-Twentieth Century—its enormous wealth and plenty. No people ever in the world's history have had so much material well-being, and this in itself is a disturbing thing to most of us.

It is quite probable that, barring catastrophe, the process of getting used to our full-time, 365-day-a-year Santa Claus will be a dominant theme in American life over the next few decades. It will not be easy, for it implies getting used to a whole new set of values that will spring from enormous production, high incomes, and increasing leisure. Perhaps, in such an industrial society, we will never be able to create an easy balance in our own minds between the old idealistic meaning of Christmas and our extraordinary outpouring of goods. But perhaps—and this may be our salvation—find eventually better and more meaningful ways in which to employ the wealth and abundance with which we have been blessed.

Now that Christmas is over and the presents have been unwrapped, a New Year's resolution is in order. Perhaps in the midst of our wealth we can resolve somehow to divert more of it to ends that we have somehow failed to achieve in full—eliminating the remaining areas of poverty in our own country, clearing our slums, building an educational structure worthy of our people, improving

health standards, helping the rest of the world to rise from the crushing burdens of disease, hunger, and misery that beset great areas of it.

Why Foreign Aid

Pres. Eisenhower soon will be asking Congress for \$4.9-billion in foreign aid funds for fiscal 1957. That is \$2.2-billion more than last year's appropriation.

The President and his advisers feel that they need this much money to (1) maintain next year's foreign aid spending, military and economic, at the current level of \$4.2-billion; and (2) still have a backlog of money to keep the military aid pipeline full.

The Administration also wants authorization, within the aid plan, to launch a trial 10-year program to take care of long-term development projects in underdeveloped countries. This would be a billion-dollar affair, requiring yearly appropriations of \$100-million.

We think that Congress should go along with the President's requests. In view of the Geneva failure and Moscow's economic offensive in the Middle East and South Asia, this is no time to reduce foreign aid. On the contrary, it is time for Congress to accept the fact that foreign aid has become a permanent fixture of our foreign policy.

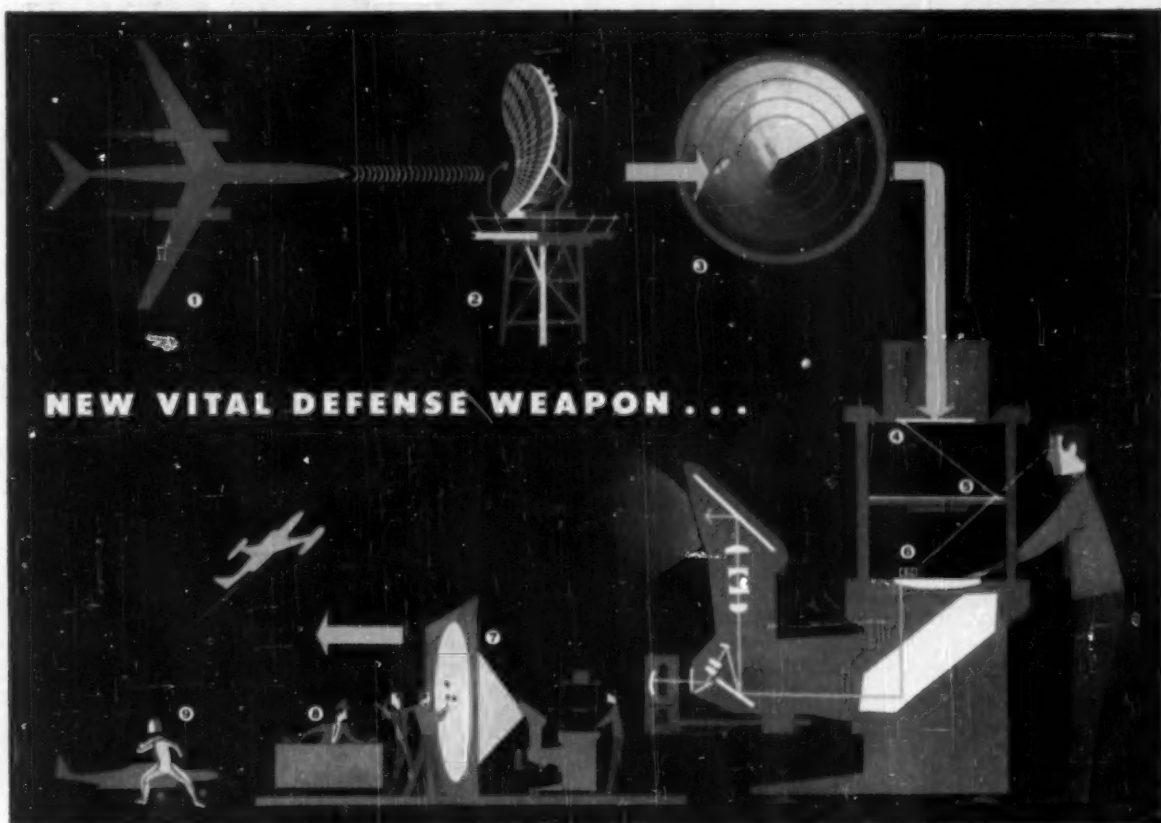
The fact is that the U.S. has been extending financial aid to the outside world, in one form or another, for something like 60 years—during years of peace as well as of war. This is the way we have maintained our export surplus, as the historical record shows.

Until the 1890s the U.S. ran an import surplus—we bought more goods and services abroad than we sold. The difference was made up largely by the capital funds we imported. Then between 1896 and 1914 the picture changed. We started to sell more than we bought. How was the difference made up? Largely through remittances by immigrants back to their home countries—remittances that totaled nearly \$3-billion for the period.

The export surplus continued into the 1920s and was covered during the decade by substantial purchases of foreign securities plus the purchase of some \$1.3-billion in gold. The surplus stayed with us through the 1930s, and in that decade we bought something like \$11-billion worth of gold, though part of this gold flow can be attributed to political disturbances in Europe.

We have again exported more than we bought abroad in the past 10 years. Only it has been on a bigger scale, and has been largely covered by foreign aid—to the tune of about \$51-billion if you include loans as well as grants.

It is curious that after a 60-year record like this anyone should still think that foreign aid is either a short-term emergency measure or a charitable proposition. It would be in the best interest of the nation if Congress would look at the problem from this perspective.



DESIGN-PROTOTYPE-PRODUCTION. That's NORTHROP ANAHEIM'S part in this picture. Shown in cross-section, above right, is the new NORTHROP SKY SCREEN. Here's how it works: Approaching aircraft (1), picked up by radar (2), appears as a "pip" on surveillance scope (3), mounted (4) in top of Sky Screen. "Pip" is reflected off one way mirror (5) so it appears to lie on plotting lens (6). Marker chips placed on plotting lens to coincide with "pips" are reflected through a unique, variable magnification and focus lens system onto the translucent surveillance screen (7). Normally several Sky Screens project overlapping radar presentations onto the surveillance screen. Command group (8) thus views an enlarged composite radar plot with each aircraft identified by the number and color of the chip used. The

command group establishes identification of the aircraft and directs interception (9) if aircraft is hostile. The Northrop Sky Screen thus gives up-to-the-second transmission of radar information to a command group of any required size with neither interpretation nor translation error.

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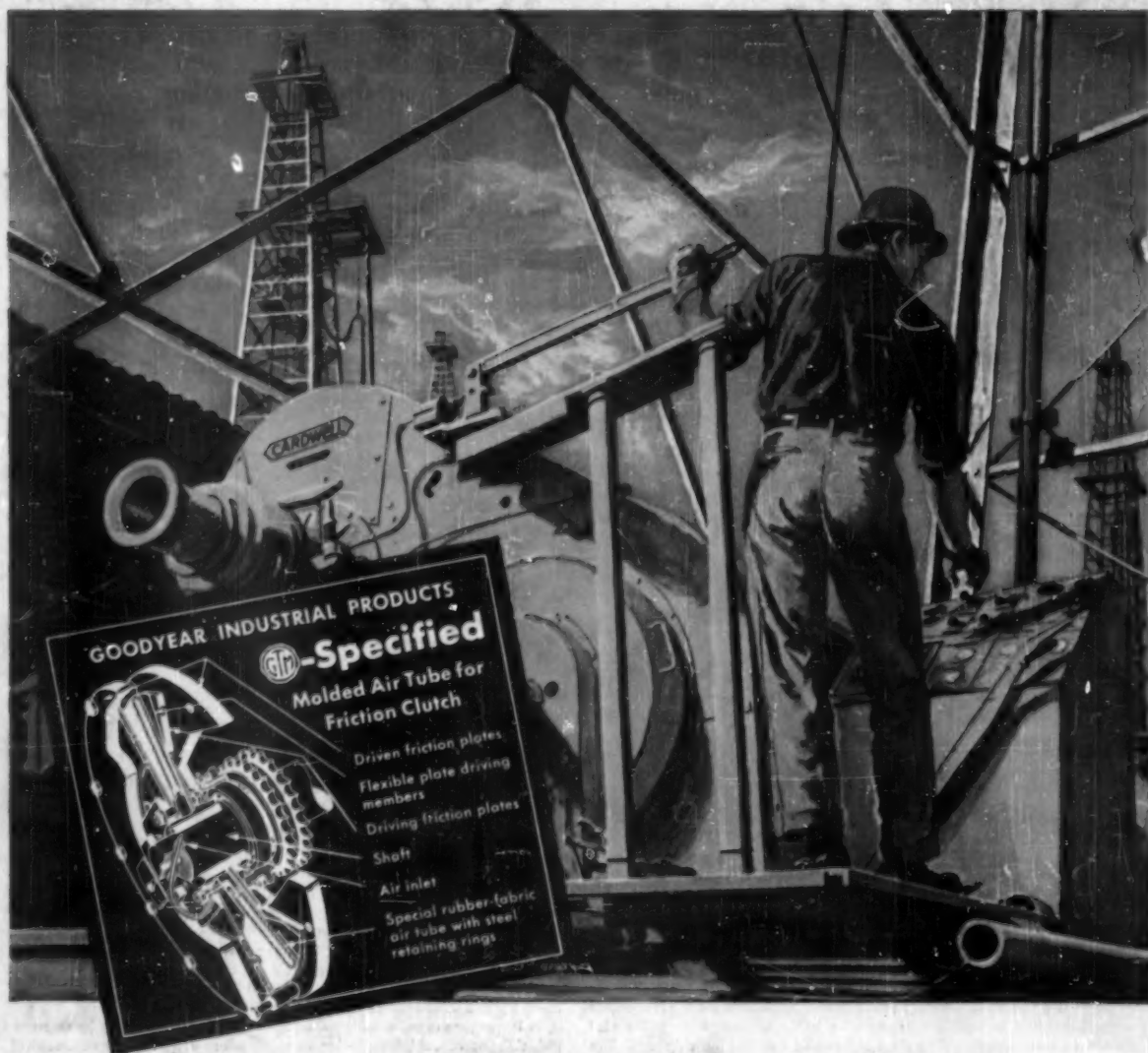
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